Speech: Secretary of State keynote: UK Trade and Export Finance Forum

Thank you for that kind introduction Louis and thank you all for joining us here today to mark 100 years of UK Export Finance.

While today is certainly a day for celebration, I'm afraid that it does come with something of a health-warning.

The last few years have seen a rise of barriers to trade across the world.

Since the end of the Financial Crisis, G20 countries have imposed 70% of all new non-tariff barriers to trade globally.

The result of these – and the imposition of unilateral and retaliatory tariffs – has seen trade growth slow dramatically from 5.4% in 2017 to a projected 3.4% this year.

We in the UK are lucky in that we start from a fortunate position. The fundamentals of our economy are strong and I have faith in its resilience. Unemployment is at a 45-year low, wages are growing faster than inflation and both exports and inward foreign direct investment are at record levels.

But the economic headwinds are against us and we are going to have to brace ourselves for a period of increased difficulty.

Forecasts for some of the major economies, such as Germany and the Eurozone more widely, have been downgraded, significantly and this may well have an impact on the 44% of our exports which currentlygo to the EU.

UKEF's work to help British firms break into new markets and deepen existing trade links will be essential in helping us weather potential storm ahead.

Louis, las night at the Mansion House, talked about the counter-cyclical function of UKEF, and that may well be tested in the times ahead. UKEF has for 100 years been innovating and helping UK businesses win, fulfil and get paid for export contracts.

Last year my department launched its Export Strategy in a bid to turn Britain into a 21st century exporting powerhouse, and UKEF has a pivotal role to play in achieving this.

Through the Export Strategy we are encouraging, informing, connecting and financing UK businesses to take advantage of the increasing international demand for British goods and services.

Just as it was when it was founded as the Export Credits Department 100 years ago – UKEF remains at the heart of the government's trade and finance policies.

One of UKEF's most important innovations has been to make accessing government-backed export finance faster and easier for small and medium-sized companies than ever before.

These efforts are bearing fruit; 77% of the businesses that we supported in 2017/18 were small and medium-sized enterprises.

And, recognising that it takes more than one business to deliver an export contract, I am proud to announce that UKEF has extended eligibility for its support to companies in exporters' supply chains.

This will enable firms, from car parts suppliers to food packagers – who play a crucial role in supply chains but do not directly sell goods or services overseas themselves – to access the support they need to thrive.

Afterall, without their vital contribution Britain's giant export machine would grind to a shuddering halt.

But we want to do more.

A fifth of all UK registered businesses tell us that they have never exported, despite believing that they have goods or services which would sell overseas.

This translates to more than 400,000 UK businesses who could be exporting but are not.

We need to do more to open the way for these businesses, large or small, to take their first step into selling overseas.

That's why I am pleased to unveil our new Small Deal Initiative, which will enhance support for the smaller export contracts.

Through this, companies of all sizes will be able to access buyer finance support, with UKEF guaranteeing the loans that their potential customers abroad take out in order to buy British.

We will also simplify the processes involved in obtaining finance, allowing banks and other institutions to work more easily with UKEF to support smaller transactions.

And just as importantly, this will enable UK companies to get paid up front for their exports, while their buyers can benefit from deferred payment terms.

These announcements are potential gamechangers for our export industry, and will help us tap a fresh vein of growth from within our own economy.

But still, many firms which are already eligible for export finance simply don'trealise it.

And that needs to change.

To truly maximise our trading potential, we need to ensure that firms that can export, do export, and that means making them aware of the full range of support available.

And we're taking further steps to ensure that our support is better than ever.

Our new General Export Facility, which the Prime Minister mentioned in her video, will allow UKEF to support exporters' overall working capital requirements, rather than supporting where it's linked to the needs of a specific export contract.

And this more flexible approach will be of particular help for smaller businesses and companies with shorter manufacturing cycles.

So we're taking major strides to ensure that all UK firms have access to the help they need to succeed abroad.

And while it's important for Britain to celebrate our current export success, we've only really just started to realise our true potential for growth.

As you know, the government's aim is to increase UK exports from 30% to 35% of Britain's GDP moving us towards the top of the G7.

And there's never really been a better time to become an exporter or to invest in UK exports.

UKEF's expertise and resources are an invaluable asset as we prepare to leave the European Union and become a truly outward looking, global, trading nation.

And while the UK will continue building upon our business links with our valued trading partners in the EU, there are now unprecedented opportunities for growth in emerging markets which our firms are well-placed to take.

Now the IMF estimates that 90% of global GDP growth in the next five to ten years will come outside of continental Europe.

That's why the work of UKEF – at the heart of the government's export strategy – to help British firms establish themselves in some of the world's fastest growing emerging markets is so vital to our future prosperity.

This includes introducing a range of measures to boost much-needed investment in businesses, in infrastructure across Africa and in other parts of the developing world.

An example of this was the recent UK-West Africa Agritech Summit that we helped organise in Lagos, Nigeria.

The summit was part of our mission to nurture, with the help of UKEF, a strong network of prospective partners in finance, technology, innovation and knowledge between Britain and West African nations.

And our commitment to helping UK firms thrive in Africa and other developing markets is made up of more than just warm words.

UKEF is also playing an active part in our Prosperity Agenda ensuring development and global prosperity are at the heart of our trade and investment strategy.

Trade is an important part of our efforts to support countries in developing critical infrastructure while creating our own trading partners for the future.

And that’s why UKEF has, for example, provided £49 million in terms of support for the Darlington-based firm Cleveland Bridge to construct 250 bridges for rural communities in Sri Lanka.

This project will help accelerate Sri Lanka’s development through significantly improving its rural transport infrastructure.

Another example is the more than £130 million worth of support UKEF provided for British firms that are helping develop critical infrastructure in Ghana.

Around £70 million of this has gone towards backing a contract for Contracta Construction UK to develop and modernise Kumasi Central Market in southern Ghana – which you may never have heard of – but which is a major trading centre visited by up to 800,000 people every single day.

A guarantee for a £43.8 million loan will also be provided by UKEF to Ghana’s Ministry of Finance to support a contract with QG Construction UK for the modernisation of Tamale Airport in the north of the country.

This expansion will help fuel economic growth in the region and will also benefit Muslim Hajj pilgrims, with the airport serving as a terminal building during the Hajj Season.

In addition, UKEF has backed a £17.6 million loan to support a contract for two British firms – Ellipse UK and the Eurofinsa group – to complete the building of a new 120-bed hospital in the town of Bekwai, in the Ashanti region.

These projects will help improve the critical infrastructure and lives of the citizens in Sri Lanka and Ghana, showing the positive role that British expertise, combined with UKEF’s backing, is playing in communities around the world.

And we do this for good reason. Spreading prosperity helps underpin social cohesion. Social cohesion in its turn, underpins political stability. And that political stability is the building block of our collective security. It is a continuum that cannot be interrupted without very unwanted consequences.

Now, over the last year the government has set out our ambition for the United Kingdom to become the number one G7 investor in Africa by 2022.

And I spent all of last week in the northern part of Africa.

For the first time we set a clear goal to mobilise an additional £4 billion of private sector investment into the African continent by working more closely with the City of London.

This will help British firms to invest in what promises to be one of the world's largest import markets for goods and services over the coming decades.

Many African nations and other developing markets are particularly vulnerable to the impact of climate change.

And we're determined to support British firms that specialise in helping communities adapt to this change in delivering their expertise across the globe.

UKEF is also working with the Environment Agency to help UK firms to deliver climate adaptation infrastructure and services across the globe.

This means that UK firms – from specialist environment consultants to water sanitation businesses – will benefit from UKEF providing the finance support, while the EA will offer their expertise.

In addition, AECOM, the firm behind some of the world's biggest infrastructure projects, has today committed to work with UKEF to increase procurement from UK businesses when delivering its work.

And UKEF's work across the globe is as varied as it is vital in helping UK exporters gain a foothold in different markets.
The agency is working to increase its scope its accessibility, both by expanding its risk appetite in key markets and ensuring that qualifying to access its finance facilities is made as straightforward as possible for British firms.

Indeed, since the referendum we have increased our risk appetite in more than 100 markets.

But given the returns that UKEF provides to the Treasury, it's not unreasonable to ask whether or not we should be looking at taking on increased risk appetite, while of course noting the importance of responsible and prudent use of taxpayers' money.

Earlier this year, for example, I announced that UKEF will provide an additional £1 billion in UK support to Iraq – and that's on top of the £1 billion backing we have already given for critical infrastructure projects in that country.

And this additional capacity will enable UKEF to increase its risk appetite in Iraq's growing market subject to our established lending standards.

After all, it is in our own national interest to support economic development, promote nation-building and back additional UK exports. And the work that the Department for International Trade and UKEF is doing is already working for the British economy.

In the year to March, British exports of goods increased by 4.2% while total UK exports have now reached a record £640 billion.

And we want all British firms large and small, that are able to export, to be part of this success in the future.

That's why over the past decade UKEF has provided over £30 billion-worth of support helping over 600 UK exporters to grow their businesses in overseas markets.

Building a truly Global Britain takes real investment. It cannot be done, quite obviously, on the cheap.

If we want to become an exporting superpower, with greater influence, selling more goods and services abroad and encouraging more British investment overseas, then we will have to invest in the capabilities required.

UKEF's work will be at the very forefront of this investment strategy.

The agency has gone from strength to strength in the 100 years since it was launched as the world's first export credit agency.

And, 100 years from now, I believe it will still be supporting British businesses, opening up new markets, creating new trading partners and supporting other countries out of poverty.

But if there is one message that I want you to take away today it is this:

If you are considering exporting for the first time, or want to take on a new project abroad, and need some help to do so, look no further than UKEF.

From the smallest family business to the largest multinational, UKEF has the expertise and resources you need to turn your export potential into profitable reality.

And as the sun rises on our future as an ambitious, creative, and truly global independent trading nation outside the European Union, we are determined that all our firms, both large and small, have the opportunity to share in Britain's export success story.

The only thing that will limit us is the scale of our own ambition.

Press release: Knifepoint robbers have

sentences increased

Carl Wood and Scott Taylor have had their sentences increased by the Court of Appeal

---

Speech: Environmental Social Governance (ESG) and responsible investment

Introduction

It has been 2 years since I last stood on the stage, making my first speech as Pensions Minister. Before that speech, I asked Huw Evans and Yvonne Braun what the one thing they most wanted government to do was, and they asked unequivocally with pensions dashboards.

I will speak about the huge success of automatic enrolment and moving to 8%, the success of the mid-life MOT and the importance of ESG, but I am particularly proud of the incredible effort that the department has made to progress the pensions dashboards.

Infrastructure/environmental social governance and responsible investment

I want to talk now about nudge theory, and 2 examples of where I have championed that theory. Firstly, environmental, social and governance issues.

Last year we introduced regulations to clarify and strengthen pension scheme trustees' investment duties, which will come into force in October. The financial risks from climate change, from under-investment or poor treatment of the workforce, from poor executive behaviour were too important to ignore.

I've been delighted by the way the regulations have been received by you and the wider community. People are talking about ESG – the response to the initial consultation and engagement has been transformational.

Many in the pension industry are also taking action. Schemes and providers have tilted their portfolios towards renewables or away from fossil fuels. Many are engaging much more forcefully with investee firms who fail to take the issues seriously; these schemes are doing the right thing. Others who think providing an ethical fund will do the job, or are still hoping this might go away need to understand that they are simply wrong.

The large companies are leading the way on carbon capture and storage, something I discussed during a very important debate 2 weeks ago with Ed Davey about the nature of long-term investment of pension funds. Individual companies must answer for themselves. Last year, Shell, one of the largest companies that we are debating, agreed to link its executive pay to its carbon emission targets, in direct response to particular shareholders. This is evidence of significant and real change.

However, there is still more to do. I note the Association of Member Nominated Trustee's report, published last week, found that most pension fund managers don't have published policies to combat climate change, or promote gender and ethnic diversity.

It is clear that pensions schemes ought to be thinking about the assets which help drive new investment in important sectors of the economy – smaller and medium firms, housing, green energy projects and other infrastructure – which deliver the sustainable employment, communities and environments which all of us wish to enjoy.

The second nudge that I want to talk about relates to infrastructure investment. The government published an 'Investment Innovation and Future Consolidation' consultation in February 2019, building on the Patient Capital review. The purpose to the consultation was to enable investment in illiquid assets and highlight the opportunities for defined contribution pension schemes to explore the full range of possibilities offered by investing for the long-term. The department is currently in the process of responding to that consultation.

I continue to believe that we probably need to legislate to ensure that trustees can consider a wide range of investments. To help them do that we need to be clear what costs are within or outside the charge cap. There has been confusion on this point stemming from the current wording of the legislation – I accept that – and we intend to fix that in future primary legislation. That will assist this process.

Automatic enrolment

I would now like to turn to automatic enrolment which has been a real success story in getting millions of people saving. Thank you – automatic enrolment does not happen without the assistance that you have given.

We are reviewing the results from the increase in contribution rates to 8%. It will take 9 months for the data to be received and fully assessed so there will not be a full analysis until November or December this year. However, early indications are fantastically positive. This is thanks to DWP, regulators and yourselves.

Pension dashboards

Which brings me to pension dashboards. Pension dashboards will allow everyone to see their pensions savings online in one place.

On 4 April, we published the government’s response setting out our commitment to bring dashboards into being. That is why we will compel pension schemes to make consumers’ data available to them, via dashboards, when parliamentary time allows. We are committed to providing state pension information on the same platform and continue to work towards making this happen as soon as we can.

My officials have been supporting the Money and Pensions Service in setting this up. And many of you will have heard the announcement by the Money and Pensions Service this morning that Chris Curry will be the Principal of the Industry Delivery Group. All of you know him – Chris has a wealth of experience driving forward innovation in the pensions industry, and his appointment to lead the latest of our truly transformative reforms is an important step. Chris will ensure that the design and delivery of dashboards is done for the benefit of consumers.

We expect the group to be up and running by the end of the summer and one of their priorities will be working to agree data standards. In parallel, we expect industry to start creating and testing consumer facing dashboards to determine what works best for the individual.

Simple annual benefit statement

I respect ABI’s strong views on simplified annual benefit statements, but we disagree on whether or not a 2-page uniform annual benefit statement is the best way forward.

You know that I am a huge enthusiast for the simpler annual benefit statement – jargon free and readable in minutes. I know that some providers have their own simpler approaches and I have sat and listened to different views, but the problem is that each company thinks that their statement is better. It is a very complex process to create one statement that works for everyone, but we have to get better.

I welcome the work that ABI and PLSA have been doing to drive voluntary adoption of the statement across industry, including understanding what is happening in the industry, but to quote Kit Malthouse “More, Better, Faster”. But I want to see much faster work in this area.

We also need to consider how best to communicate out a simplified statement. I am interest in the idea of a statement season, and I am a huge fan of the Orange Letter in Scandinavia. I accept that the Orange Letter is a 5-page simpler statement and not 2 pages, but we should be communicating the simplified statements at the same time. I think that this would increase engagement and facilitate conversations about simpler statements.

Mid-life MOT

One of my first jobs as minister was to read the Crickland review on raising the State Pension age. This was where I first read about the mid-life MOT, and I have been utterly committed to it ever since.

If you are in the financial services business, then you need to be looking at your staff and their engagement with their long-term finances. I recommend you read the Aviva review and Centre for Policy Studies paper ‘All Hands on Deck’, both of which outline the fantastic benefits of the mid-life MOT to employers, including skill retention.

Superfunds

For many years the pensions industry was dominated by the traditional final salary DB scheme but this is changing.

The government has been very clear that superfund consolidation represents a real opportunity to provide a more efficient way of managing closed DB schemes. Developing the right regulatory regime for superfunds is not an easy task, but if we can get it right, we can provide another route for managing legacy DB liabilities that will improve member security, and be good for sponsoring employers.

The advantages of scale from consolidation are clear – aside from greater security it can reduce costs per member, provide better governance and offer access to better and wider investments. Superfunds provide an incentive for the sponsor or the wider corporate group to pay to improve the funding level of the scheme in exchange for discharging their liabilities, reducing the real risks posed to members’ benefits by a future employer insolvency.

However, we recognise that the current regulatory framework for pensions was not designed with these vehicles in mind. I have listened to the concerns expressed by the ABI and others on this subject and it’s right to have a debate about the level of security superfunds must provide. I have also listened to those in the pension industry and employers who have been calling for government to act by providing a new affordable option for underfunded schemes.

Superfunds could provide support for employers and schemes that would never be able to afford buy-out, and would in time, have a high probability of requiring a bail-out from the Pension Protection Fund (PPF).

We are working hard to design a capital regime that strikes the right balance of security, affordability and commercial viability. We want to ensure that members joining a superfund can be confident that they are moving into a regime, backed by robust authorisation, with a regulatory framework which provides stronger oversight and protection for members and the PPF than currently exists in current DB schemes.

Thanks to my team and HMT for working so hard together to make this happen.

Financial inclusion

I will finish by discussing financial inclusion. The Prime Minister made me Minister for Pensions and Financial Inclusion, reflecting the importance that places on the subject.

We have an ambitious agenda, and one that requires us to work in close partnership with the financial services industry, civil society and the charity sector.

For example, the financial inclusion policy forum, which I co-chair with the Economic Secretary to the Treasury, brings together leaders on financial inclusion to ensure collaboration across all sectors, providing strategic leadership and promoting best practice in improving financial inclusion.

Significant progress is being made. The work of the forum's sub-group on affordable credit informed the Chancellor's important announcement in Budget 2018 to encourage a larger and more vibrant social lending sector. Fair4All Finance is working on deploying £55 million from dormant accounts towards financial inclusion initiatives over the next 3 years.

I would like to end today by not only asking you all to continue to work together on initiatives in the industry, but to also consider what you are doing, and what you could be doing to improve transparency and security for everyone. To misquote Kennedy, ask not what financial inclusion can do for you, but what you can do for financial inclusion.

Press release: Reappointment to the Review Body on Senior Salaries

Ms Sharon Witherspoon has been reappointed to the Senior Salaries Review Body. The SSRB provides independent advice to the Prime Minister and senior ministers on the pay of many of the nation's top public servants. The appointment is for a further term of approximately 3 years starting on the 1st July 2019.

Sharon was appointed as the Head of Policy of the Academy of Social Sciences and the Campaign for Social Science in March 2016.

She was Director of the Nuffield Foundation, an endowed charitable trust that makes grants for social and educational research and policy, until 2015. After joining the Nuffield Foundation in 1996 as an assistant director, Sharon became deputy director in 2000 and director in 2012. During this time, she led the foundation's work in social research and policy. Her research fields included administrative justice and family law; finances for older people, including pensions; children and families; and poverty and economics. Sharon is a trustee of Full Fact, a charity that encourages use of accurate statistics in public debate and reporting, and Vice President for Education and Statistical Literacy of the Royal Statistical Society.

Press release: Reappointment to the Review Body on Senior Salaries

Prime Minister Theresa May has reappointed a member of the Review Body on Senior Salaries.