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Business Group

24th March 2010

Ref: JB/RS/CH

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Dear Sirs,

Consultation on Proposed Revisions to ECGD's Business Principles and Ancillary Policies

Thank you for your letter of 22nd March. We are sorry that you feel we have misconstrued what your clients intended to say. We had not read your letter of the 8th March as a letter falling within the definition of a Letter before Claim pursuant to the Judicial Review Pre-Action Protocol.

We note that it is your clients' contention that the Interim Response has been produced pursuant to an unlawful process. This is not our belief. Nor do we consider that the natural construction of the submission to which your clients were one of six signatories ("the joint submission") or your letter of 8th March, or both of them, is that contended for in your letter of 22nd March. In this regard we refer to paragraphs 79 – 83, in particular, of the joint submission and to the basing of your letter of 8th March upon the quotation of the Parliamentary Question asked by Lord Lester of Herne Hill and the Written Answer in response to it.

We are pleased to note that your client welcomes the opportunity to submit further comments on the likely ESHR impacts of the changes proposed by ECGD.

We note also that your client considers that: "the information supplied by ECGD ..... is entirely insufficient." Your client is aware from our letter of 17th March addressed to all consultees who had originally responded ("the respondent consultees") that it is our position that no Impact Assessment could be drawn up. The reasons for that were given in the Written Answer of Lord Davies of Abersoch to the Parliamentary Question of Lord Lester of Herne Hill referred to above and have been quoted, both in your letter of 8th March and our letter to respondent consultees of 17th March. The additional information provided in the

letter of 17th March was expressly provided without prejudice to our position on an Impact Assessment and on the basis that ECGD made no representation about its value or meaningfulness.

With regard to the details of case assessments currently requested by your client, we note that your client accepts that the past level of applications is, by itself, of no value in judging the likely ESHR impacts of ECGD's proposed changes to its screening and assessment policies. On this position, we are in agreement.

We do not see, however, given that the above position is common ground, how the details of the consideration of cases with a payment or repayment period of less than two years or a value of under SDR10m or both would assist in assessing the ESHR impact of ECGD's proposed changes. The details of individual past cases are, obviously, completely case specific. Nothing whatever can be deduced, as you accept, about the likelihood of exactly similar facts recurring. In consequence, as we think must follow from the propositions you accept, no meaning or value for the purposes of an Impact Assessment can be drawn from those details.

It follows that, we do not think it is necessary, appropriate or helpful to supply the information which you request on the third page of your letter of 22nd March or to extend the deadline of 30th March so that such information may be considered.

We are puzzled about your recurring reference to information held by the Dutch ECA Atradius. As your client is aware, one of the proposals that ECGD is making in this Consultation is to change its practice of screening, which will have a consequent effect on those applications/projects which are classified and potentially reviewed. Currently ECGD classifies and, potentially, reviews the ESHR impact of projects even though the export contract has a payment term of less than two years or a value of less than ten million SDR. Under the proposals, broadly,[1] it would no longer classify or, therefore, review such projects. If details of the review of such projects were of utility (which we do not believe as set out above) the more pertinent set would be the applications to ECGD rather than Atradius.

With regard to the confirmation your clients seek of the statements beginning in the third page of our letter of 17th March to all respondent consultees, we stand behind the phraseology used in that letter, which you have paraphrased with some differences. In order to assist, we mention, non-comprehensively, three of the differences introduced in your précis:

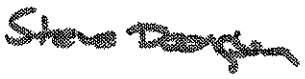
(i) contracts having a value of less than SDR 10m that are in or near a sensitive area will be classified;

(ii) whilst the standards that ECGD currently applies will continue to be used wherever it conducts a review (contrary to the thrust of paragraphs 24 – 35 of the joint submission), the phrase "the project complies [in] all material respects with ...." is a phrase of the CIAP, which document it is proposed no longer to use;

[1] It would be ECGD's policy to apply the Common Approaches. They state, amongst other things, that, in effect, projects where there is a loan contract having a repayment term of two years or more and the value of the export is less than ten million SDR, but where the project is in or near a sensitive area, will still be classified and, potentially, reviewed.

(iii) you use the word "assessed". Under the Common Approaches, contracts having a repayment term of two years or more are subject, potentially, to the following successive processes: screening, classification and review, between which it is necessary to distinguish. The current ECGD proposal is that projects will be reviewed where the two former processes indicate, according to the terms of the Common Approaches, that they should so be.

Yours faithfully



STEVE DODGSON