Reference Term Sheet for

Non-Recourse Infrastructure Loans in Emerging Markets

Financing Structure

Loan Facility:	Preference for senior debt facility with large facility size. Preference for in-depth technical, environmental, insurance and legal review.
Project Sponsor:	Preference for projects to be developed and operated by reputable and experienced project developers and operators.
Currency:	Preference for hard currency contracts, or local currency contracts with appropriate FX adjustments.
Hedging:	Preference for interest rate risk exposure of the Borrower to be mitigated via interest rate swap. Preference for currency risk exposure to be managed by matching currency of revenue with currency of debt. Preference for commodity price risk to be partially hedged.
Facility Tenor:	Preference for tenor of up to 15 years.
Availability Period:	Preference to be in line with construction period
Repayment:	Preference for facility amortisation with tail of 1-2 years before the expiration of contracts or mini-perm structure with notional amortisation as above. Preference for stable debt service coverage throughout the life of the project loan.

Security and Guarantee

Project Contracts:	Preference for robust and enforceable project contracts with appropriate allocation of risks.
Project Insurance:	Require Borrower to take out comprehensive asset insurance package to cover construction and operation period risks, and third party liabilities.
Security Package:	Preference for security over fixed assets, bank accounts and contracts for the projects and project companies. Preference for share pledge.
Ranking:	Preference to be pari passu with all other obligations.
Guarantee:	Preference for insurance or guarantee from Export Credit Agency (“ECA”) or International Financial Institution (“IFI”) such as MIGA or private market insurance.
Covenants:	Require project Company to carry out certain actions and comply with all covenants as required
Share Retention Obligation:	Preference for Sponsors not to sell, assign or transfer its shareholding in the Project.

Governance and Law

Representations and Warranties:	Require Borrower to provide information undertakings regarding business conduct.
Environmental and Social:	Require early stage environmental and social feasibility studies with input from local stakeholders. Preference for aligning with Equator Principles which reference IFC guidelines and performance standards, and applicable local environmental and social laws.
Governing Law:	Preference for international law for finance agreements Preference of local law in respect of local security.
Withholding Tax and Gross up:	Preference for the Borrower to pay an additional amount necessary to ensure that the lender receives an amount that would otherwise have been received had no deductions have been required.

Risk Mitigation: Key risk factors need to be properly addressed through suitable project structuring and risk mitigation measures, contractual design and project planning as well as insurance and guarantees. A list of key risks and possible mitigations are set out below:

Key Risks Factors	**Possible Mitigations**
(A) Financial Risk	
Funding	- 100% of project funding committed at financial close
Currency Convertibility	- Comprehensive insurance from International Financial Institution ("IFI") such as MIGA or private market - Priority FX allocation by host government, so that the foreign currency loan is given priority on repayments in the event of default
Interest Rate and FX risk	- Project Company to enter into necessary Hedging Agreements to protect against adverse interest rate or currency fluctuations on the full principal amount
(B) Commercial Risk	
Uncertain Demand	- Long term contracted or availability-based cashflow, and properly designed contracts to ensure buyers will take and pay the stated amounts - Market studies that support cashflow projections with adequate coverage
Counterparty Default	- Guarantee from local government in respect of public sector entity payment obligation, and seek direct payment from government in cases of default - Insurance including extended political risk insurance - Escrow account to cover payment shortfall such as payments under construction contracts

(C)Construction Risk	
Construction Risk (Delay, Spec)	- Engineering, Procurement and Construction (“EPC”) agreement with reputable contractors with clearly defined responsibilities, contract prices, and appropriate liquidated damages - EPC Guarantee requirements will be based on the financial strength and experience of the EPC Contractor engaged.
Completion Guarantee	- In the event Commercial Operation Date is delayed, the Sponsors will undertake to repay the entire principal and interest drawn to the Financing Parties.
(D) Regulation Risk	
Regulatory Change	- Strong project rationale - Target markets and sectors with investor friendly regime and policy tailwind, and avoid reliance on unsustainable subsidies - Partner with other experienced, major international lenders and IFI in consortium - Reliable institutions of law and regulations in host country
(E)Political Risk	
Political Risk Insurance	- Political risk insurance coverage from IFI or private insurers

-- End --