

**CLIMATE RESILIENT DEBT CLAUSES - NEW CLAUSES 6.3 AND 6.4 FOR INCLUSION IN
UKEF'S DIRECT LENDING PRECEDENT**

N.B. HYBRID OPTIONS ARE COVERED WITHIN THE FOOTNOTES

6.3 Request for Debt Deferral

- (a) [The provisions of this Clause 6.3 and Clause 6.4 (*Deferred Payment Provisions*) apply only to Direct Loans. Any Deferred Request Loan arising under paragraph (a) of Clause 6.4 (*Deferred Payment Provisions*) shall be a Direct Loan.]¹
- (b) Following the occurrence of any Deferral Event and subject to the Eligibility Conditions being satisfied, the Borrower may, at its own cost, in a single document substantially in the form set out in Part A of Schedule [7]² [9]³ (*Deferral Provisions*) submit a request to the Lender to have certain payments deferred (a "**Deferral Request**") which:
- (i) gives notice to the Lender of the occurrence of that Deferral Event setting out details thereof;
 - (ii) confirms the need for payment deferral in order to respond effectively to the Deferral Event;
 - (iii) provides the Lender with a request for the Deferred Payment Provisions to apply to one or more specified payments under this Agreement ("**Applicable Payments**"); and
 - (iv) confirms that, following deferral, the funds which would otherwise have been paid will instead be used for response to, and recovery from, the Deferral Event.
- (c) Applicable Payments may include payments which would otherwise become due and payable under this Agreement pursuant to either or both of Clause 6.1 (*Repayment of Loans*) and Clause 8.2 (*Payment of Interest*) in the 12 month period following the Relevant Date.
- (d) The Lender shall:
- (i) confirm receipt of the Deferral Request within five (5) Business Days of receipt thereof; and
 - (ii) shall notify the Borrower and the Agent within a further twenty (20) Business Days whether or not the Deferral Request and the applicable Deferred Payment Provisions are accepted.
- (e) The Lender may request further information in connection with any aspect of the Deferral Request (or in respect of any matter in any way related thereto) from the Borrower at any stage.
- (f) The Direct Lender and the Borrower will (at the cost of the Borrower) promptly implement the terms of a Deferral Request which is agreed in accordance with paragraph 6.3(d) above [by executing the Notice of Deferred Payment Dates as described in paragraph (c) of Clause 6.4 (*Deferred Payment Provisions*) which shall be effective as from the date on which the Agent has confirmed that the conditions precedent set out therein have been satisfied].

¹ Clause to be inserted in hybrid transaction only

² Reference to be used in Direct Lending

³ Reference to be used in Hybrid

- (g) For the avoidance of doubt the Finance Parties confirm that none of the following, namely:
- (i) the submission, acceptance, rejection and implementation of a Deferral Request; and
 - (ii) in circumstances where a Deferred Request Loan is accepted by the Lender pursuant to paragraph (c) of Clause 6.3 (Request for Debt Deferral), the deferral of the date on which any associated Applicable Payment would otherwise be due and payable under this Agreement,
- constitute a Default or Event of Default.
- (h) For the purposes of paragraph (c) of this Clause 6.3, "**Relevant Date**" means (x) the date on which the Deferral Request is submitted to the Lender, or (y) with the consent of the Lender, an earlier date which is on or after the date on which the applicable Deferral Event occurred, however, in those circumstances Applicable Payments may not include any payment overdue prior to the Deferral Event Date. Where a Deferral Request includes an Applicable Payment which is either overdue or may become overdue before the Borrower receives a response from the Lender in accordance with paragraph (d) of this Clause 6.3 above then the Borrower may also include a request for a waiver of any associated Default or Event of Default in respect thereof.
- (i) The Borrower may only request one (1) Deferral Request in any twelve (12) month period and a maximum of two (2) Deferral Requests over the term of the Facility Agreement.

6.4 Deferred Payment Provisions

If a Deferral Request and the associated Deferred Payment Provisions in respect of the associated Applicable Payments are accepted by the Lender then the payment obligations of the Borrower in respect of each such Applicable Payment under Clause 6.1 (*Repayment of Loans*) in relation to a principal amount and under Clause 8.2 (*Payment of Interest*) in relation to an amount of interest shall be a deferred on the following basis:

- (a) on the Consolidation Date, all Applicable Payments and all Interim Interest thereon shall be automatically capitalised and converted into a new loan (the "**Deferred Request Loan**") owed by the Borrower to the Lender under this Agreement;
- (b) where the Original Due Date of an Applicable Payment is earlier than the Consolidation Date, interest shall accrue on such Applicable Payment as from its Original Due Date to the Consolidation Date at the rate per annum which is the appropriate [EUR/USD/GBP] CIRR in place at its Original Due Date, as published by the OECD and shall be calculated in accordance with Clause 25.3 (*Day Count Convention*);
- (c) the Borrower shall repay each Deferred Request Loan in instalments over a five year period commencing on the date which falls 12 months after the Consolidation Date as specified by the Lender in a notice to the Borrower and the Finance Parties substantially in the form set out in Part B of Schedule [7]⁴ [9]⁵ (*Deferral Provisions*) (the "**Notice of Deferred Payment Dates**") delivered as part of [(or subsequent to)] the Lender's acceptance of the applicable Deferral Request pursuant to paragraph 6.3(d) of Clause 6.3 (*Request for Debt Deferral*);
- (d) the Notice of Deferred Payment Dates shall set out each instalment and the date on which that instalment is required to be paid by the Borrower and each such date shall be both a Repayment

⁴ Reference to be used in Direct Lending

⁵ Reference to be used in Hybrid

Date and an Interest Payment Date under this Agreement in relation to the applicable Deferred Request Loan;

- (e) the Borrower shall repay each instalment of a Deferred Request Loan on the respective Repayment Date specified in relation thereto in the associated Notice of Deferred Payment Dates;
- (f) interest shall accrue on the outstanding amount for the time being of the Deferred Request Loan on and from its Consolidation Date at the rate per annum which is the appropriate [EUR/USD/GBP] CIRR in place at the Consolidation Date, as published by the OECD and shall be calculated in accordance with Clause 25.3 (*Day Count Convention*);
- (g) the Borrower shall pay interest on the outstanding amount for the time being of the Deferred Request Loan on each Interest Payment Date falling after the Consolidation Date;
- (h) Clause [8.8]⁶ [8.8(b)]⁷ (*Amalgamation of Loans*) shall not apply to Deferred Request Loans;
- (i) where one or more Applicable Payments are overdue on the date on which the Lender sends the associated Notice of Deferred Payment Dates, all or any amounts otherwise payable under Clause 8.4 (*Default Interest*) shall be treated in such manner as the Lender shall specify in that notice; and
- (j) save in respect of matters referred to in this Clause 6.4 and in Clause 6.3 (*Request for Debt Deferral*), each Deferred Request Loan shall be treated as a Loan for all purposes of this Agreement.

For these purposes:

"Consolidation Date" means, in relation to an accepted Deferral Request and the Applicable Payments associated therewith, the date which is the latest Original Due Date in respect of those Applicable Payments.

"Deferral Event" means any climate incident, natural disaster, pandemic or epidemic which in the opinion of the Lender has, or could reasonably be expected to have, an adverse impact on the Borrower's ability to repay the Loan.

"Deferral Event Date" means, in relation to a Deferral Event, the date on which that Deferral Event occurred.

"Deferred Payment Provisions" means the provisions set out in this Clause 6.4.

"Eligibility Conditions" means [the Borrower is an eligible member country of the IMF (on the associated Deferral Event Date)], and the Borrower meets any one or more of the following conditions, namely:

- (a) the Borrower is eligible for finance under the IMF's Poverty Reduction and Growth Trust;
- (b) the Borrower is eligible for finance under the World Bank International Development Association window;
- (c) the Borrower is classified as a Least Developed Country by the UN;
- (d) the Borrower is classified as a Small Island Developing State by the UN; and

⁶ Reference to be used in Direct Lending

⁷ Reference to be used in Hybrid

(e) the Borrower and the Direct Lender have agreed in writing prior to the date of the Facility Agreement that the Deferred Payment Provisions may apply.

"Interim Interest" means the aggregate of all interest accrued in accordance with paragraph (b) of this Clause 6.4.

"Original Due Date" means, in relation to an Applicable Payment, the date on which that Applicable Payment would have become due and payable in accordance with Clause 6.1 (*Repayment of Loans*) or Clause 8.2 (*Payment of Interest*), as the case may be, if that Applicable Payment had not been the subject of a Deferral Request which was accepted by the Lender.

SCHEDULE [7]⁸ [9]⁹

DEFERRAL PROVISIONS

PART A

DEFERRAL REQUEST

From: [Borrower]

To: [Lender]

CC: [Agent and Arranger]

Dated: [●]

Deferral Request No. [●]

- 1. We refer to the facility agreement dated [●] made between, inter alia, [Borrower] (the "Borrower"), the financial institutions listed therein as original lenders and [Agent] (the "Agent") as amended from time to time (the "Facility Agreement").
- 2. This is a "Deferral Request" as defined in the Facility Agreement.
- 3. Terms defined in the Facility Agreement have the same meaning in this Deferral Request unless given a different meaning in this Deferral Request.
- 4. We notify you of the occurrence of the following Deferral Event: [(insert relevant details thereof)].
- 5. We request that the following payments are deferred:
 - (a) The principal amount of [] falling due for payment on []
 - (b) The amount of interest [being []] falling due for payment on []

.....[include all amounts in respect of which deferral is requested - where any such amount cannot be precisely determined, e.g. because the interest rate may vary, please include as full a description as possible]

These payments are [together] the "Applicable Payments" for the purposes of this Deferral Request.

- 6. Where any Applicable Amount is (or may become) overdue prior to your decision as to whether or not to accept this Deferral Request, we request a waiver of any associated Default or Event of Default in respect thereof.
- 7. This Deferral Request is irrevocable.
- 8. We represent and warrant that:
 - (a) the Eligibility Conditions are satisfied because [(explain which of the conditions (a) to (e) in the definition of Eligibility Conditions is applicable)];
 - (b) the need for the requested payment deferral is in order to respond effectively to this Deferral Event; and

⁸ Reference to be used for Direct Lending

⁹ Reference to be used for Hybrid

- (c) following deferral, the funds which would otherwise have been paid under the Facility Agreement will instead be used for response to, and recovery from, this Deferral Event.

9. We undertake to provide any other further information requested by the Lender from time to time in connection with any aspect of this Deferral Request (or in any way related thereto) at any stage.

Yours faithfully

For and on behalf of [*Borrower*]

Signature:*

Name:

Position:

Date:

*Signature of Borrower's Signatory

PART B

NOTICE OF DEFERRED PAYMENT DATES

From: [Lender]

To: [Borrower]

CC: [Agent and Arranger]

Dated: [●]

- 1. We refer to the facility agreement dated [●] made between, inter alia, [Borrower] (the "Borrower"), the financial institutions listed therein as original lenders and [Agent] (the "Agent") as amended from time to time (the "Facility Agreement").
- 2. We also refer to Deferral Request No. [●] dated [●], which has been accepted.
- 3. Terms defined in the Facility Agreement have the same meaning herein unless given a different meaning in this notice.
- 4. The Applicable Payments referenced in Deferral Request No. [●] dated [●] and all Interim Interest thereon shall form a Deferred Request Loan on and from [●]. That date shall be the "Consolidation Date" for the purposes of Deferral Request No. [●] dated [●].
- 5. This Deferred Request Loan shall be repaid in the following instalments and, in relation to each such instalment, the date for repayment is specified alongside that instalment below:

AMOUNT OF INSTALMENT	REPAYMENT DATE
(a) [specify amount of applicable instalment] the Consolidation Date]	[insert date which is 12 months after
(b) [specify amount of applicable instalment]	[insert date]
(c) [specify amount of applicable instalment]	[insert date]
(d) [specify amount of applicable instalment]	[insert date]
(e) [specify amount of applicable instalment]	[insert date]

Each such Repayment Date is also an Interest Payment Date in respect of this Deferred Request Loan.

- 6. [with reference to numbered paragraph 6 of your Deferral Request No. [●] dated [●], as one or more Applicable Payments were (or became) overdue prior to our decision to accept your Deferral Request No. [●] dated [●], we confirm that we will instruct the Agent to waive any associated Default or Event of Default in respect thereof and that no amounts will be payable under Clause 8.4 (Default Interest) in respect of any such overdue Applicable Payment. This waiver is given only in this specific instance and does not extend to any other rights or remedies we may have under the Facility Agreement.]

7. This notice is a Notice of Deferred Payment Dates and will become effective on the date on which we confirm in writing to you [and the Agent] that we have received a legal opinion (in form and substance satisfactory to us) from [local counsel] confirming that this Deferred Request Loan is a legal, valid, binding and enforceable obligation of [the Borrower].

Yours faithfully

For and on behalf of the [Lender]

Signature:

Name:

Position:

Date: