Reference Term Sheet for Infrastructure Investments in Emerging Markets

Investor Composition:	Preference for a consortium of long-term, like-minded institutional investors with similar risk appetite and investment horizon, including sovereign or pension funds.
Investment Structure:	Preference for projects to be developed and operated by partners, such as General Partners, project developers and operating partners, who have (i) proven experience in the relevant sector and jurisdiction; and (ii) good alignment of interest with investors.
Project Size:	Preference for projects with large equity cheque size. General Partners might consider grouping similar projects into an investment platform to achieve scale.
Project Stage:	Preference for brownfield projects. For greenfield projects, preference for late stage projects that have attained key milestones such as land acquisition, permitting, and construction agreement with reputable contractor. Alternatively, a combination of greenfield and brownfield projects that are already cash flow generative is also preferred.

<u>Project Characteristics</u>:	Preference for projects with the following key characteristics: *(i) Large and scalable* *(ii) Providing essential service to economy with sustainable demand*
<u>Revenue Characteristics</u>:	Preference for projects with long-term, steady income that could ride through economic cycles.
<u>Currency</u>:	Preference for hard currency contracts with inflation escalation or local currency contracts with FX adjustments. If the market is viable, may consider hedging FX risks using derivative contracts.
<u>Return</u>:	Target return should factor in the following risk premium: *(i) Illiquidity premium* *(ii) Emerging market risk premium** *(iii) Greenfield risk premium (if applicable)* **Note: Emerging market risk premium for a jurisdiction may decrease over time as its economy develops, and with the accumulation of experience of the General Partners, project developers, operating partners and investors.*
<u>Debt Financing</u>:	Preference for long term, non-recourse debt financing with currency matching revenue.
<u>Exit</u>:	Preference for flexible exit options, including trade sale and IPO.

Legal and Tax:	Preference for transparent and consistent legal and tax regimes that (i) could protect the rights of foreign long term capital; (ii) allow for free repatriation of capital; and (iii) allow for free transfer of ownership stake.
Governance:	Preference for proper process and good business conduct including well-documented procurement procedures, anti-corruption policies and entertainment and gift guidelines with ongoing, strong management oversight. Preference for decision rights on major issues, including (i) capital-related decisions e.g. refinancing; (ii) operation-related decisions e.g. business expansion; and (iii) team-related decisions e.g. key man replacement. In case of minority investments, preference for board seat to ensure appropriate representation and involvement, and ongoing access to information.
Environmental and Social:	Preference for proper and early stage environmental and feasibility studies with input from local stakeholders. Preference for early engagement with key local opinion leaders and recruitment of local work force to mitigate risk of opposition by local communities.

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

Key Risks Factors	**Possible Mitigations**
(A) Financial Risk	
Currency Convertibility	- Insurance from International Financial Institution ("IFI") such as MIGA
High Financing Cost	- Participation of multilateral development banks in debt financing or providing project insurance - Credit enhancement from credit agencies - Issuance of project bonds to access capital market
(B) Commercial Risk	
Uncertain Demand	- Long term contracted or availability-based cashflow
Counterparty Default	- Guarantee from government - Insurance from IFI such as MIGA - Escrow account to cover payment shortfall
Exit Uncertainty	- Put option arrangement with sovereigns and/or investment partners - Grow asset base with scale and consider a platform exit

(C) Construction Risk	
Construction Delay	- Engineering, Procurement and Construction ("EPC") agreement with reputable contractor
(D) Regulation Risk	
Regulatory Change	- Target markets with investor friendly regime and track record - Target sectors and opportunities with policy tailwind - Partner with other experienced, major institutional investors and IFI in consortium

-- End --