

FRAMEWORK AGREEMENT
BETWEEN THE GOVERNMENT OF UKRAINE AND
THE GOVERNMENT OF THE UNITED KINGDOM OF
GREAT BRITAIN AND NORTHERN IRELAND ON OFFICIAL CREDIT
SUPPORT FOR THE DEVELOPMENT OF THE CAPABILITIES OF THE
UKRAINIAN NAVY

The Government of Ukraine (hereinafter referred to as “the Ukrainian Party”) and the Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as “the UK Party”, and jointly with the Ukrainian Party called – “the Parties”),

fostering the development and enhancement of cooperation between Ukraine and the United Kingdom of Great Britain and Northern Ireland in spheres of common interest,

considering the declared needs of the Ukrainian Party in effectively ensuring the territorial integrity and sovereignty of Ukraine, and the protection of civil shipping and territorial waters in the Black Sea and Sea of Azov,

considering the intention of the Ukrainian Party to develop the capabilities of the Ukrainian Navy,

taking into account the capability of the UK Party to support the Ukrainian Navy develop its capabilities including in the form of an export credit to finance the implementation of the state investment project to procure two mine counter-measures vessels (MCMV) and their delivery and maintenance, the joint production of eight missile ships, the delivery of and retrofit of weapons systems to existing vessels, the joint production of a frigate and consultancy and technical support for the building of naval infrastructure including the delivery of equipment,

confirming the results of previous discussions, reached by signing the Memorandum of Intent between the Ministry of Defence of Ukraine and the Ministry of Defence of United Kingdom of Great Britain and Northern Ireland on development of capabilities of the Ukrainian Navy dated 7 October 2020,

have agreed as follows:

ARTICLE 1 - DEFINITIONS

The terms used in this Framework Agreement have the following meanings:

Agent-Bank – JSC “Ukreximbank”, which controls the disbursements of the Credits on behalf of the Borrower;

Bank Loan: a loan granted to the Borrower by a bank or consortium of banks, guaranteed by UKEF;

Borrower: Ukraine, represented by the Minister of Finance of Ukraine or the Head of Debt Agency of Ukraine (in case of the latter – acting upon duly authorised instructions of the Minister of Finance of Ukraine), depending on circumstances;

Contract: each commercial contract for implementation of the Project, signed between the Purchaser and the UK Suppliers;

Credit Agreement: each English law governed loan facility agreement laying down the procedures for use and repayment of the Bank Loan(s) and/or UKEF Loan(s);

Credits: one or several Bank Loans or UKEF Loans;

Lender(s): the UK Party represented by UKEF, and a bank or consortium of banks, who will provide the Bank Loan;

OECD Arrangement: OECD Arrangement on Officially Supported Export Credits;

Project(s): the state investment project(s) for the purchase by the Purchaser from UK Suppliers of two mine counter-measures vessels (MCMV) and their delivery and maintenance, the joint production of eight missile ships, the delivery of and retrofit of weapons systems to existing vessels, the joint production of a frigate and consultancy and technical support for the building of naval infrastructure including the delivery of equipment with the support of the UK Party in the form of Credits for the Ukrainian Navy capabilities development;

Purchaser: the Ministry of Defence of Ukraine;

UK Suppliers: the Ministry of Defence of the United Kingdom of Great Britain and Northern Ireland (acting through the Defence Equipment Sales Authority of the UK Ministry of Defence), Babcock International Group Plc and its associated companies including Rosyth Royal Dockyard Limited, MBDA UK Limited;

UKEF Loan: a direct loan granted by UKEF to the Borrower;

UKEF Support Fee: the fee due to UKEF in return for the provision of the UKEF Loan or guaranteeing the Bank Loan; and

UKEF: Her Britannic Majesty's Secretary of State acting through the Export Credits Guarantee Department (operating as UK Export Finance), acting in the name of and for the account of the UK Party.

ARTICLE 2 – AMOUNT AND PURPOSE OF THE FINANCIAL SUPPORT

The UK Party intends to grant the Ukrainian Party official credit support in the form of Credits for the implementation of the Project(s) subject to the relevant parties agreeing satisfactory Credit Agreement terms.

The overall amount of Credits used for financing the Contracts shall not exceed £1,700,000,000 (one billion seven hundred million UK pounds) or equivalent in USD/Euro, to which may be added the UKEF Support Fee.

For the implementation of the Projects the UK Suppliers and the Purchaser will need to sign Contracts necessary for their fulfilment. The Borrower confirms that it is prepared to use the Credits provided by the Lenders for the financing of such Contracts.

The Credits shall be used for the financing of Contracts, signed with the UK Suppliers, which shall include goods and services of UK origin representing at least 50% of the value of the relevant Contract, and for the financing of the UKEF Support Fee.

The Agent-Bank fees will be paid by the Purchaser.

The Purchaser will monitor and manage the Project(s).

ARTICLE 3 – COMPOSITION OF THE FINANCING

The official support granted for financing of the Project(s) comprises:

UKEF Loan(s) amounting to a maximum of £750,000,000 (seven hundred and fifty million UK pounds) or equivalent in USD/Euros; and

Bank Loan(s) amounting to a maximum of £950,000,000 (nine hundred and fifty million UK pounds) or equivalent in USD/Euros.

The UKEF Support Fee corresponding to the Credits will be borne by the Borrower. The UKEF Support Fee may be financed by the Lenders, at the request of the Borrower and subject to approval by UKEF. In such case, the total amount of the Credits shall be increased as necessary by the amount of the UKEF Support Fee.

ARTICLE 4 – FINANCING ARRANGEMENTS

For the implementation of the Project(s), the Purchaser intends to purchase from the UK Supplier(s) goods and services (in accordance with the relevant Contract) which are eligible for the Credits being granted on terms and conditions set out in Article 5 of this Framework Agreement.

The amount of Credits allocated shall cover the value of each Contract, which is financed under this Framework Agreement, and, if needed cover the UKEF Support Fee if the Borrower requests the financing of such amount, and such request is accepted by UKEF.

Utilisations under any Credit Agreement shall be made in favour of the UK Suppliers (and UKEF where the UKEF Support Fee is financed) on the basis of the

documents submitted by the UK Suppliers in accordance with the relevant Contract and the relevant Credit Agreement.

ARTICLE 5 – TERMS AND CONDITIONS OF THE FINANCIAL SUPPORT

A) Each relevant Contract shall be financed by the support referred to in Article 2 of this Framework Agreement. The repayment period of any Credit shall be determined by UKEF and shall not exceed ten (10) years. The Credit principal is repayable in equal and successive instalments, with the first instalment fixed at six (6) months after the repayment starting point, which is fixed in accordance with the features of the relevant Contract, or any other date, confirmed by UKEF. The Borrower's debt obligations under each Credit Agreement are separate and independent to the performance of the relevant underlying Contract.

B) For any Credit, a Credit Agreement shall be signed between the relevant Lender(s) and the Borrower. Each Credit Agreement shall provide for allocation of Contracts as provided for in Article 7 of this Framework Agreement. Each Credit Agreement shall specify the general terms of financing, including the terms for drawing and repayment of the Credits as agreed between the relevant parties.

C) The interest rate applicable to any UKEF Loan shall be the relevant C.I.R.R. (Commercial Interest Reference Rate), determined by UKEF in accordance with the rules of the OECD Arrangement in force on the date on which such Credit Agreement is signed.

The interest rate applicable to any Bank Loan shall be the relevant C.I.R.R. (Commercial Interest Reference Rate), determined by UKEF in accordance with the rules of the OECD Arrangement in force on the date on which such Credit Agreement is signed, and increased by a margin not exceeding 2.5% per annum, or the relevant Bank Loan currency benchmark, for US dollars the 6-month London Interbank Offered Rate (LIBOR), for UK pounds the Sterling Overnight Index Average (SONIA) compounded in arrears, for euro the 6-month Euro Interbank Offered Rate (Euribor), or the rate which replaces it in each case, and increased by a margin not exceeding 3% per annum.

The interest on each Credit shall be calculated on the outstanding principal; it shall run from the date of each drawing and shall be paid half-yearly. Any instalment of the principal or interest which is not paid when due shall give rise to default interest with effect from the due date for payment until the date of the actual payment.

D) Any costs, disbursements and fees, duly justified and documented, relating to this Framework Agreement and any action resulting from it, and more specifically the costs and fees of legal advisers and all costs incurred in connection with proceedings or inquiries made necessary by the action of the Ukrainian Party

or its failure to act under this Framework Agreement shall be borne by the Ukrainian Party.

ARTICLE 6 – CURRENCY FOR REPORTING AND PAYMENT

The currency for reporting and payment under this Framework Agreement are UK pounds, euros or US dollars.

ARTICLE 7 – ALLOCATION OF THE CONTRACT

Allocation of a Contract to be financed by the Credits, specified in Article 2 of this Framework Agreement is subject to the following conditions:

- (i) agreement between the Ukrainian Party and the UK Party that such Contract is eligible to be supported under the relevant Credit Agreement;
- (ii) completion of any applicable conditions set out in the relevant Credit Agreement;
- (iii) confirmation by UKEF that at that time there are no amounts owing and outstanding on the due date by the Ukrainian Party; and
- (iv) compliance with the commitments made in Article 8 of this Framework Agreement.

After UKEF has verified that the aforementioned conditions have been met, each relevant Contract to be financed by the support referred to in Article 2 of this Framework Agreement shall be allocated to a Credit Agreement.

ARTICLE 8 – COMMITMENTS TO COMBAT CORRUPTION

In each Credit Agreement, the relevant parties will set out terms to reflect their commitment to the fight against corruption in international commercial transactions.

The parties to any Contract allocated to this Framework Agreement may not, for their benefit or that of another party, offer or give to a third party, ask for, accept or obtain promise of, directly or indirectly, any undue pecuniary or other advantage, which constitutes or may constitute an illegal or corrupt practice.

The Ukrainian Party undertakes to take reasonable measures to ensure that there are no corrupt acts during implementation of the Project. Save where such notification would, or might reasonably be argued to, constitute the equivalent of the offence of “tipping off” under relevant legislation for either Party, the Parties

undertake to inform each other if they become aware of information giving rise to any suspicion of corruption.

In the event of failure to comply with the undertakings set out in this Article, the UK Party reserves the right to refuse to allocate any relevant Contract and/or to suspend disbursements of the Credit to the Borrower in relation to the relevant Contract.

ARTICLE 9 – DEADLINES FOR GRANTING CREDITS

To benefit from the Credits defined in Article 2 of this Framework Agreement, the relevant Credit Agreement must be signed within the validity period of UKEF's commitment for financing as communicated by UKEF to the Ukrainian Party as may be amended or extended from time to time and each Contract must be allocated not later than 31 December 2024.

No drawing on any Credits approved under this Framework Agreement may be made later than 6 (six) years after the signing date of the relevant Credit Agreement.

These deadlines may not be extended, except in exceptional circumstances and after mutual agreement via an exchange of letters between the Parties.

ARTICLE 10 – TAXES AND DUTIES

Any goods or services bought under any Contract allocated pursuant to this Framework Agreement, are exempt from any tax, charge, customs duty and other compulsory levies applicable within the territory of Ukraine, in accordance with Ukrainian national legislation.

Transactions involving import of goods into the customs territory of Ukraine under any customs regime (which goods were purchased from the UK Suppliers, their representative offices, their contractors or subcontractors and are financed under any Contract allocated pursuant to this Framework Agreement) shall be exempt from any taxes, duties, customs duties, and any other mandatory payments levied in Ukraine in accordance with the laws of Ukraine.

Transactions involving supply of goods, works, and services in the customs territory of Ukraine (save for the import transactions contemplated under paragraph two of Article 10 of this Framework Agreement) that are carried out directly by a UK Supplier, its representative offices registered in the customs territory of Ukraine, and their contractors, subcontractors (which transactions are financed under any Contract allocated pursuant to this Framework Agreement) shall be subject to a zero (0%) rate of value-added tax and shall be exempt from any other

taxes, duties, and any other mandatory payments levied in Ukraine in accordance with the laws of Ukraine.

Income realised in connection with the supply of goods, works, and services in the customs territory of Ukraine as a result of performance under any Contract allocated pursuant to this Framework Agreement and received directly by the UK Suppliers, their representative offices, their contractors or subcontractors shall be exempt from any taxes, duties and any other mandatory payments levied in Ukraine in accordance with the laws of Ukraine. This exemption shall not apply to personal income tax and other identical or substantially similar taxes and duties, in particular the military duty; such taxes and duties shall apply at the rates envisaged by the laws of Ukraine.

Furthermore, repayment of the principal and payment of interest, commission, costs and incidental expenses connected with performance of this Framework Agreement are to be made net of any tax and duty in Ukraine as will be set out in each Credit Agreement.

This Framework Agreement shall not affect the provisions of the Convention between the Government of Ukraine and the Government of the United Kingdom of Great Britain and Northern Ireland for avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains, signed on 10 February 1993 (as amended), or any amendments thereto.

ARTICLE 11 – ENTRY INTO FORCE

This Framework Agreement shall enter into force on the date of receipt of the final written notification, sent via diplomatic channels, confirming completion by each Party of the domestic procedures required by its law for its entry into force.

ARTICLE 12 – AMENDMENT TO THE FRAMEWORK AGREEMENT

By mutual written agreement between the Parties, amendments may be made to this Framework Agreement in the form of protocols, which will form an integral part of this Framework Agreement and will enter into force on the terms provided for therein.

ARTICLE 13 – DISPUTE RESOLUTION

All disputes relating to the interpretation or implementation of this Framework Agreement shall be settled by means of consultation or negotiation between the Parties.

IN WITNESS WHEREOF, the undersigned, being duly authorised for this purpose by their respective Governments, have signed this Framework Agreement,

Done in *London*, on *Friday 12th November 2021*.

In two original copies, in Ukrainian and English, both being equally authentic.

For the Government of Ukraine:



**For the Government of the
United Kingdom of Great
Britain and Northern Ireland:**

