

# Raw Material Guarantee

## Guarantee holder: **banks**

The Raw Material Guarantee is intended for banks financing raw material suppliers' operations and covers the risk of non-payment by the borrower under a credit agreement. This guarantee provides protection against events that occur from the date when the claim arises, which normally is upon utilisation under the credit agreement.

### **TRANSACTIONS THAT CAN BE GUARANTEED**

You can apply for a raw material guarantee when a foreign borrower will commit to a long-term raw material off-take agreement with a Swedish importer. Typically it relates to the financing of a larger investment with the purpose to secure the production of the raw material to be imported.

The credit period is expected to be in relation to the project's commercial conditions and to the off-take agreement in respect of volume and length.

A prerequisite for EKN's participation is that the transaction promotes Swedish interests.

The off-take agreement must be described by the importer in an importer declaration, which is submitted in connection with the bank's application. In order for EKN to be able to guarantee the transaction, there must be a legally binding written agreement between lender and borrower and between importer and supplier. EKN's guarantee never covers more than what has been agreed between the bank and the borrower, as described in the application for guarantee to EKN.

### **RISKS COVERED BY THE GUARANTEE**

The guarantee provides cover for non-payment by the borrower under a credit agreement.

### **WHICH RAW MATERIALS ARE CONSIDERED FOR THE GUARANTEE?**

Unprocessed or partially processed raw materials, for example metals and minerals, for industrial further processing that are used and consumed in the production of other goods and as such are of significant interest to the Swedish economy and society at large can be considered. There is no list of specific raw materials, but the Swedish importer must describe why the raw material is of importance to Sweden and why it is essential to have a long-term off-take agreement.

No fossil fuels including coal are considered within the framework of the raw material guarantee.

### **HOW DOES THE GUARANTEE WORK?**

The guarantee covers up to 90 per cent<sup>1</sup> of your claim, which means that the residual risk is at least ten per cent. The residual risk does not necessarily mean that the bank will incur a definite loss in the event of a claim. Any recoveries by EKN are shared pro rata between the bank and EKN. EKN will only compensate the lender for non-payment of an undisputed and due claim. In case of disputed claim, EKN needs to be satisfied that the dispute can be viewed as being without merit. There has to be a clause in the credit agreement stating that the borrower is obliged to pay under the credit agreement regardless of whether the off-take

<sup>1</sup> 80 per cent within the EU

agreement remains valid or whether the importer has fulfilled the obligations in the off-take agreement or not.

#### **WHAT ARE THE FEES?**

EKN charges a premium which reflects the risk and structure of the specific transaction. The premium is expressed as a percentage of the guaranteed credit amount.

The premium is normally paid in advance in connection with reporting of utilisation under the credit agreement, or earlier at effective date. You can also opt to pay part of the premium in arrears, at the same time as interest payments under the guaranteed transaction.

There is no fee for applying for a Raw Material Guarantee or entering into a guarantee agreement. Our guarantee agreement is valid for six months. After this period, the guarantee agreement may be extended for periods of six months.

#### **WHEN DOES EKN PAY COMPENSATION**

EKN pays compensation after a three-month waiting period which begins on the claim's due date. We do not apply a waiting period if the borrower is declared bankrupt.

#### **CURRENCY**

The currency indicated in the credit agreement determines the currency in which EKN issues the guarantee. If the credit agreement currency is Swedish kronor, euros or US dollars, EKN will issue the guarantee, invoice the premium and pay compensation in this currency. For other contract currencies, EKN issues the guarantee, invoices the premium and pays compensation in any of the three currencies mentioned above.

#### **PAYMENT SECURITY**

EKN does not have any general requirements regarding provision of security. However, in certain cases, it is a prerequisite for the issuance of our guarantee for a transaction.

#### **SUSTAINABILITY IN THE ISSUING OF GUARANTEES**

EKN promotes responsible business practices. In its guarantee operations EKN's considerations cover environmental matters, human rights, promoting sustainable lending to poor countries, combating corruption and tax evasion as well as climate change.

#### **EKN'S GENERAL CONDITIONS**

The guarantee is governed by EKN's General Conditions for Raw Material Guarantees.

#### **HOW TO OBTAIN A GUARANTEE**

Applications are submitted by using EKN Online at [ekn.se](http://ekn.se). Please contact EKN for further information.

#### **Apply**

Submit your application well in advance of the first utilisation under the credit agreement. An importer declaration from the importer, describing the off-take agreement, must also be submitted in connection with your application. You will normally have to provide additional information such as an annual report on the borrower. EKN assesses the risk, and if the result is satisfactory we enter into a guarantee agreement.

#### **Notify us**

Inform EKN within 30 days when the credit agreement has been signed. Notify EKN of effective date, and when utilisation under the credit agreement has been made, no later than 30 days from utilisation. If you choose to pay the premium in arrears, you must state this already in the application.

#### **Payment of premium**

EKN will send a premium invoice in connection with the reporting of the utilisation, or earlier at notification of effective date. The premium must be paid within 30 days of the invoice date.