
LOAN NUMBER 3225-BHU

LOAN AGREEMENT
(Ordinary Operations)
(Second Green Power Development Project)

between

TANGSIBJI HYDRO ENERGY LIMITED

and

ASIAN DEVELOPMENT BANK

DATED 4 MAY 2015

BHU 44444

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 4 May 2015 between TANGSIBJI HYDRO ENERGY LIMITED ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower, a company established and validly existing under the laws of the Kingdom of Bhutan has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to the Financing Agreement (as defined hereunder);

(B) the loan provided for herein is to be guaranteed by the Kingdom of Bhutan ("Guarantor") under the terms of the Guarantee Agreement of even date herewith between the Guarantor and ADB;

(C) the Project will be carried out by the Borrower with Druk Green Power Corporation Limited ("DGPC"), which is the sole shareholder of the Borrower;

(D) by an agreement of even date herewith entered between ADB and the Guarantor ("Financing Agreement"), ADB has agreed to provide to the Guarantor a loan of sixteen million nine hundred eighty seven thousand Special Drawing Rights (SDR16,987,000) and a grant of twenty five million two hundred fifty thousand Dollars (\$25,250,000), which the Guarantor will provide to DGPC on terms and conditions acceptable to ADB and which DGPC will contribute to the Borrower's equity;

(E) the Borrower has separately applied to a consortium of Indian commercial banks led by the State Bank of India ("SBI", and together with its consortium members "Rupee Lenders") for a loan denominated in Indian Rupees equivalent to \$58,820,000 to finance certain expenditures under the Project on a parallel basis ("Rupee Loan"); and

(F) ADB has agreed to provide a loan to the Borrower from ADB's ordinary capital resources upon terms and conditions set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

- (a) Section 3.03 is deleted and the following is substituted therefor:

Commitment Charge; Credit; Maturity Premium.

(a) The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the credit against the interest payable by the Borrower.

(c) The Borrower shall pay a maturity premium at the rate specified in the Loan Agreement, which maturity premium shall remain fixed for the term of the Loan. ADB shall add the maturity premium to the interest payable by the Borrower.

- (b) Section 3.06 is deleted and the following is substituted therefor:

Rebate. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

- (c) Section 3.07 is deleted and the following is substituted therefor:

Surcharge. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(d) Section 7.07 (c) is deleted.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations and the Financing Agreement have the respective meanings therein set forth, except that for purposes of this Loan Agreement:

(a) “Goods” means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance; and

(b) “Works” means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of seventy million Dollars (\$70,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 24.5 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.20% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 May and 15 November in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;

- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
 - (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.
- (b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a “Conversion”, as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 2 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 3 to this Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2020 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and development practices.

(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. The Borrower shall make available, promptly as needed and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project facilities.

Section 4.03. (a) Whenever applicable, in the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to ADB to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB.

(b) The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and ADB, as applicable. The Borrower shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 4.04. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.05. (a) The Borrower shall (i) maintain separate accounts and records for the Project; (ii) provide its annual financial statements prepared in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest fund(s) and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, within 1 month after approval by the relevant authorities and no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.06. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.07. (a) The Borrower shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its business.

(b) The Borrower shall at all times conduct its business in accordance with sound technical, financial, business and development practices, and under the supervision of competent and experienced management and personnel.

(c) The Borrower shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

Section 4.08. Except as ADB may otherwise agree, the Borrower shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying out of its operations or the disposal of which may prejudice the ability of the Borrower to perform satisfactorily any of its obligations under this Loan Agreement.

Section 4.09. The Borrower shall ensure that any facilities relevant to the Project are operated, maintained and repaired in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(l) of the Loan Regulations:

(a) the loan or grant provided for in the Financing Agreement or the Rupee Loan shall have become liable for suspension or cancellation, or the loan provided for in the Financing Agreement or the Rupee Loan shall have become repayable prior to its agreed maturity date;

(b) any of the parties to the Subsidiary Loan Agreement shall have failed to perform one or more of its obligations thereunder in a manner which, in the reasonable opinion of ADB, may adversely affect the carrying out of the Project or the operation of the Project facilities; or

(c) any of the parties to the PPA shall have failed to perform one or more of its obligations under the PPA in a manner which, in the reasonable opinion of ADB, may adversely affect the carrying out of the Project or the operation of the Project facilities.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations:

(a) the Financing Agreement shall have been duly authorized by, and executed and delivered on behalf of the Guarantor and shall have become legally binding upon the Guarantor in accordance with its terms; and

(b) the Guarantor and DGPC shall have entered into the Subsidiary Loan Agreement.

Section 6.02. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The managing director of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Tangsibji Hydro Energy Limited
Office of the Managing Director
Thori Lam, Thimpu

Facsimile Numbers:

+975 2 337-109
+975 2 336-411.

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

+63 2 636-2444
+63 2 636-2338.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

TANGSIBJI HYDRO ENERGY LIMITED

By 
DORJI PAVO PHUNTSOK
Managing Director

ASIAN DEVELOPMENT BANK

By 
HUN KIM
Director General
South Asia Department

SCHEDULE 1**Amortization Schedule****(Second Green Power Development Project)**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Date Payment Due	Installment Share (Expressed as a %)
15 November 2020	2.040816
15 May 2021	2.040816
15 November 2021	2.040816
15 May 2022	2.040816
15 November 2022	2.040816
15 May 2023	2.040816
15 November 2023	2.040816
15 May 2024	2.040816
15 November 2024	2.040816
15 May 2025	2.040816
15 November 2025	2.040816
15 May 2026	2.040816
15 November 2026	2.040816
15 May 2027	2.040816
15 November 2027	2.040816
15 May 2028	2.040816
15 November 2028	2.040816
15 May 2029	2.040816
15 November 2029	2.040816
15 May 2030	2.040816
15 November 2030	2.040816
15 May 2031	2.040816
15 November 2031	2.040816
15 May 2032	2.040816
15 November 2032	2.040816
15 May 2033	2.040816

Date Payment Due	Installment Share (Expressed as a %)
15 November 2033	2.040816
15 May 2034	2.040816
15 November 2034	2.040816
15 May 2035	2.040816
15 November 2035	2.040816
15 May 2036	2.040816
15 November 2036	2.040816
15 May 2037	2.040816
15 November 2037	2.040816
15 May 2038	2.040816
15 November 2038	2.040816
15 May 2039	2.040816
15 November 2039	2.040816
15 May 2040	2.040816
15 November 2040	2.040816
15 May 2041	2.040816
15 November 2041	2.040816
15 May 2042	2.040816
15 November 2042	2.040816
15 May 2043	2.040816
15 November 2043	2.040816
15 May 2044	2.040816
15 November 2044	2.040832
Total	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within 2 calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any

Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 2

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Interest and Commitment Charges

3. The amount allocated to Category 3 is for financing interest and commitment charges on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest and commitment charges.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Retroactive Financing

6. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement, subject to a maximum amount equivalent to 20% of the Loan amount.

Conditions for Withdrawals from Loan Account

7. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until:

(a) the financing agreement for the Rupee Loan shall have been duly executed and delivered on behalf of the parties thereto, and all conditions precedent to its effectiveness shall have been fulfilled or arrangements satisfactory to ADB shall have been made for the fulfillment thereof within a period of time satisfactory to ADB;

(b) ADB and the Rupee Lenders shall have set out the terms of their collaboration in respect of the Project in a manner satisfactory to ADB;

(c) THyE have entered into the PPA with PTC on terms and conditions acceptable to ADB, all conditions to effectiveness of the PPA have been fulfilled, the PPA has been declared effective in accordance with its provisions; and

(d) the Beneficiary, DGPC and THyE have certified in writing that all licenses and permits required for the Project have been obtained, or arrangements satisfactory to ADB have been made to obtain such licenses and permits within a period of time satisfactory to ADB.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Second Green Power Development Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1	Civil Works and Hydromechanical Equipment*	13,630,000	100% of total expenditure claimed
2	Electromechanical Equipment*	30,380,000	100% of total expenditure claimed
3	Interest and Commitment Charges	5,510,000	100% of total amount due
4	Unallocated	20,480,000	
	Total	70,000,000	

* Subject to the condition for withdrawal described in paragraph 7 of Schedule 2.

SCHEDULE 3

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods and Works shall be subject to and governed by the Procurement Guidelines, except that ADB's member country procurement eligibility restrictions shall not apply to the procurement of Works and hydromechanical equipment.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines.

Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:
 - (a) International Competitive Bidding;
 - (b) National Competitive Bidding; and
 - (c) Shopping.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

National Competitive Bidding

5. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

Conditions for Award of Contract

6. The Borrower shall not award any Works contracts which involve environmental impacts until:
 - (a) the National Environment Commission of the Guarantor has granted the final approval of the relevant EIA; and
 - (b) it has incorporated the relevant provisions from the EMP into the Works contract.
7. The Borrower shall not award any Works contract which involves involuntary resettlement impacts, until it has prepared and submitted to ADB the final RP based on the Project's detailed design, and obtained ADB's clearance of such RP.

Industrial or Intellectual Property Rights

8. (a) The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

ADB's Review of Procurement Decisions

9. Contracts procured under international competitive bidding procedures shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 4

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this agreement shall prevail.
2. The Borrower shall outsource the supervision and monitoring of the establishment of the transmission facilities under the Project to Bhutan Power Corporation and ensure that all relevant data are reflected in the quarterly reports from the Borrower to ADB, including the Safeguards Monitoring Reports.

Environment

3. The Borrower shall ensure that the preparation, design, construction, implementation, operation of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Guarantor relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EIAs; and (d) all measures and requirements set forth in each EIA and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.
4. The Borrower shall ensure that (a) there are no measurable adverse impacts on the critical habitat that could impair its ability to function; (b) there is no reduction in the population of any recognized endangered or critically endangered species; and (c) any lesser impacts are mitigated. Without limiting the generality of the foregoing, the Borrower shall establish a biodiversity management committee acceptable to ADB that (a) shall be responsible for implementation monitoring and evaluation of the biodiversity conservation and biodiversity management plan as outlined in the relevant EMP and (b) shall ensure that the Project facilities are constructed and operated in a manner consistent with the JSW National Park Management Plan
5. The Borrower shall (a) assess on a continuous basis, in accordance with the relevant EMP, the minimum environmental water flow requirements during the operation of the Project facilities; and (b) ensure a minimum water flow, at a level acceptable to ADB, so as to minimize downstream impacts and make sure there is no net loss of downstream aquatic biodiversity arising from the operation of the hydropower facilities in the Mangdechhu river basin, including from the Project facilities and the Mangdechhu Hydroelectric project. The Borrower shall collaborate with DGPC to establish a funding mechanism or internal resources to ensure integrated water resources management for the Mangdechhu river basin, including compliance with the minimum environmental water flow requirements as set out in the preceding sentence.

Land Acquisition and Involuntary Resettlement

6. The Borrower shall ensure that all land and all rights-of-way required for the Project, and all Project facilities are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Guarantor relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements set forth in the RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

7. Without limiting the application of the Involuntary Resettlement Safeguards, and the RP, the Borrower shall ensure that no physical or economic displacement takes place in connection with the Project until (a) compensation and other entitlements have been provided to affected people in accordance with the RP; and (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP.

Indigenous People

8. The Borrower shall ensure that the preparation, design, construction, implementation and operation of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Guarantor relating to indigenous people; (b) Indigenous Peoples' Safeguards; and (c) any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

9. The Borrower shall make available necessary budgetary and human resources to fully implement the EMP and the RP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

10. The Borrower shall ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures and requirements relevant to the contractor set forth in the relevant EIA, EMP and the RP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the relevant EIA, EMP and the RP;

- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

11. The Borrower shall do the following:

- (a) submit quarterly Environmental Safeguards Monitoring Reports and semiannual Involuntary Resettlement Safeguards Monitoring Reports to ADB during construction of the Project facilities and annual Environmental Safeguards Monitoring Reports during operation of the Project facilities, and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the EIA, the EMP or the RP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
- (c) no later than 31 March 2015 engage a panel of experts to monitor and report upon Project implementation, and facilitate the carrying out of any monitoring activities by such panel; and
- (d) report any actual or potential breach of compliance with the measures and requirements set forth in the relevant EIA, EMP or the RP promptly after becoming aware of the breach.

Prohibited List of Investments

12. The Borrower shall ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards

13. The Borrower shall ensure that all Works contract documents negotiated under the Project incorporate provisions and budget to the effect that contractors (a) comply with all applicable labor laws and related international treaty obligations of the Borrower and do not employ child labor, as defined under the Guarantor's law; (b) provide safe working conditions for male and female workers; (c) carry out HIV/AIDS and human trafficking prevention and awareness campaigns in the campsites and corridors of influence; and (d) provide equal wages for equal work between men and women.

Governance and Anticorruption

14. The Borrower shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date); and (b) cooperate with any investigation by ADB and extend all necessary assistance, including providing access to all relevant books and records, for satisfactory completion of such investigation.

15. The Borrower shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of all contractors, suppliers, consultants, and other service providers as they relate to the Project.

16. The Borrower shall ensure that their websites provide updated, detailed information on project implementation, especially procurement-related information including the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and adequate details of the Goods and Works procured.

Counterpart Support

17. The Borrower shall ensure that (a) all local and foreign currency counterpart financing necessary for the Project shall be provided in time to enable completion of the Project activities; (b) additional counterpart financing shall be provided if necessary for any shortfall of funds, including if the financing from Rupee Lenders does not materialize; and (c) counterpart financing for compensation and entitlements under the Resettlement Plan are fully provided directly to affected people prior to their displacement from housing and land.

Cofinancing

18. The Borrower shall (a) keep ADB informed of their discussions on any proposed financing arrangements with other public, commercial, bilateral, and multilateral financial institutions for the Project; and (b) provide ADB with an opportunity to comment on any resulting proposals. The Borrower shall consider ADB's views before finalizing any such proposals.

Corporate Governance of the Borrower

19. The Borrower shall ensure to the satisfaction of ADB that:

- (a) DGPC retains the majority shareholding and majority representation on the board of directors of the Borrower at all times, and the corporate documents of the Borrower shall require that a majority representation from DGPC is required for a quorum for any meeting of the Borrower's board of directors; and
- (b) No material changes are made to the corporate documents of the Borrower without consultation with ADB. The Borrower shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its articles of incorporation and will afford ADB an adequate

opportunity to comment on such proposal prior to taking any action thereon.

Debt Service Coverage Ratio

20. The Borrower shall maintain a debt service coverage ratio of a minimum of 1.2 from the date that commercial operations commence.

Hedging

21. The Borrower shall deliver a proposal to ADB for currency hedging or an alternative proposal that serves the purpose of hedging the Loan and arrange currency hedging that serves the purpose of hedging the Loan in a manner satisfactory to ADB.

Changes in PPA and Ownership of the Borrower

22. The Borrower shall consult with ADB before making any changes to the PPA and before authorizing the sale or issuance of shares in its capital.

Others

23. The Borrower shall use its best efforts to achieve registration of the Project under the Clean Development Mechanism of the Kyoto Protocol by 31 December 2016.

24. The Borrower shall obtain all necessary construction licenses for the Project from the Bhutan Electricity Authority within 60 days of the Effective Date.