

For Immediate Release

**Zambia External Bondholder Steering Committee
Statement regarding OCC stance on Comparability of Treatment**

US and Europe, November 20, 2023

The Zambia External Bondholder Steering Committee (“the Committee”) is very disappointed and deeply concerned with recent developments with regard to implementing an agreement with the Government of Zambia (the “Government”) on a restructuring of Zambia’s (i) US\$750,000,000 5.375 per cent. Notes due 2022, (ii) US\$1,000,000,000 8.500 per cent. Notes due 2024 and (iii) US\$1,250,000,000 8.970 per cent. Amortising Notes due 2027.

The Committee and the Government announced on Thursday, 26 October that an agreement-in-principle (“AIP”) on restructuring terms had been reached after many months of collaborative, but also very challenging, discussions. The proposed agreement provided the Government with significant cash flow and debt stock relief to support a restoration of macro-economic and debt sustainability. Notably both Zambia and the Committee agreed that the AIP was compatible with the targets and parameters of the Debt Sustainability Analysis embedded in the approved International Monetary Fund (“IMF”) program and the Comparability of Treatment principle as agreed with its Official Creditor Committee (the “OCC”), as confirmed in the Government’s press statement of 26 October.

Following the announcement of the AIP, the IMF requested certain adjustments to the AIP to ensure the fullest possible compatibility with the IMF targets and parameters. The Committee re-engaged in negotiations and revisited the agreed AIP to ensure full IMF support. The Government confirmed that the revised AIP (the “Revised AIP”) published by the Government earlier today is compatible with the IMF program parameters and debt sustainability targets.

In light of the additional concessions made in the Revised AIP, the Committee has been deeply disappointed to learn that at a meeting on 17 November, the OCC concluded that the Revised Proposal still does not meet its interpretation of the Comparability of Treatment criteria.

The Committee’s Revised AIP provides for more debt relief on an NPV basis than that of the OCC (in addition to providing significant upfront debt forgiveness, while no principal debt reduction is forthcoming from the OCC), ensuring that this would more than meet any reasonable interpretation of Comparability of Treatment. In particular, as set out in the Appendix, the Revised AIP exceeds the net present value effort provided by the OCC by a small margin in the “base case” and a significant margin in the “upside case”, using the OCC’s own methodology.

We understand that the OCC Co-chairs indicated that they view the Revised AIP as not being comparable with the memorandum of understanding (“MOU”) agreed between the OCC and the Government, despite: (i) the IMF’s position that the revised proposal meets IMF program parameters and DSA targets; and (ii) the fact that the Government views the Revised AIP (as it did the original AIP) as comparable with the OCC’s concessions under the MOU. The MOU is not a public document. The Committee notes that it has been frustrated by this and the current process which requires reliance on the OCC’s assessment of comparability in circumstances where a lack of transparency prohibits discussion or independent assessment of comparability by bondholders. Further, we understand that there was no consensus amongst the OCC members as to what would be required from bondholders to comply with their interpretation of the Comparability of Treatment principle. In any event, in taking the position it has, the OCC is demanding debt relief from commercial creditors that is materially higher than either the Government or the IMF deem necessary to restore debt sustainability. In doing so it is creating

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very clear inter-creditor equity issues and is going far beyond the OCC's envisaged role under the Common Framework in verifying Comparability of Treatment. This is inconsistent with the Common Framework.

This is an extraordinary position to take and will have significant adverse consequences, most immediately for Zambia. It will also completely undermine the already diminishing credibility of the Common Framework. No bondholder will accept official bilateral creditors seeking to re-negotiate the terms of the restructuring agreement they reach with a sovereign debtor in circumstances where the IMF has confirmed that an agreement already meets its own requirements for restoring debt sustainability. It is not for official bilateral creditors to dictate debt terms to other creditors in circumstances where the Government has confirmed Comparability of Treatment. Given the fiduciary duty they owe their clients, the Committee cannot possibly consider or countenance providing more debt relief than is necessary to restore debt sustainability as defined by the IMF.

The Revised AIP had been finely calibrated to meet the IMF program, and the Government's own, annual constraints. This requires implementation in 2023. The regrettable additional delays resulting from the position taken by the OCC now make it very challenging to resolve the situation in a sufficiently timely manner to allow for an agreement with bondholders to be implemented within the required timeframe.

The Committee continues to stand ready and willing to implement the Revised AIP, supported by the Government and the IMF, if a way can be found to obtain OCC support or otherwise proceed with the debt restructuring Zambia so urgently needs.

Members of the Committee include the following asset managers (acting either directly or on behalf of funds or other accounts they manage): Amia Capital LLP; Amundi (UK) Limited; RBC BlueBay Asset Management; Farallon Capital Management, LLC; Greylock Capital Management, LLC.

The Creditor Committee is being advised by Newstate Partners and Weil Gotshal & Manges (London) LLP

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Appendix

Debt Relief Indicator	Weak Case		Medium Case	
	OCC	Bondholders	OCC	Bondholders
Nominal haircut ¹	0%	16%	0%	16%
Duration extension	12 years	8 years	6 years	6 years
Contribution to the financing of the programme (2023-2025)	95%	80%	95%	80%
Overall Debt Relief (PV/PV @5%)²	39%	41%	13%	18%
Overall Debt Relief (PV/PV @5%) (including consent fee)	39%	40%	13%	17%

¹ Nominal haircut calculated on contractual claims.

² OCC methodology comparing the PV of post-restructured debt to pre-restructured debt, evaluated at 5% discount rate. If debt relief is shown to one decimal place the difference in the medium case rounds up to 6%, 5% including consent fee.