6. Proposed IBNI Capitalization and Governance Structure

Key Points

- IBNI's proposed capitalization and governance structures will be similar to the numerous existing MDBs that have been in successful operations for many decades.
- It is envisaged that no fewer than 50 member countries will come together to found IBNI in early 2023, with a total shareholder contribution of US $ 50 billion, and a paid-in capital amount of US $ 25 billion (the remaining US $ 25 billion will be in the form of callable shares).
- As the IBNI program evolves, there may be options for capital market investors to play an incremental role in IBNI's capitalization structure.

It is envisaged that the IBNI capitalization and governance structure should be primarily based on the models that have been successfully implemented by many of the existing Multilateral Development Banks (MDBs), such as the World Bank Group, the European Bank for Reconstruction and Development and, more recently, the Asian Infrastructure Investment Bank (AIIB). These models have already been proven and have been in existence for many decades, and they have enabled the MDBs to advance their individual missions related to global economic development and poverty eradication.

As is the case with the existing MDBs, it is envisaged that the voting members of the IBNI will be nation states, with membership open to any IAEA Member State recognised by the United Nations.

On this basis, the proposed governance structure would be as shown in Figure 36[78].

[78] Note: At a future point in time, the IBNI may establish an Advisory Board of non-voting Sector Members – as is permitted, for example, under the constituting rules of the United Nations International Telecommunication Union. Conceivably, Sector Membership could be open to private sector corporate entities engaged in the nuclear industry, plus capital market participants. However, the initial constituting documents for the IBNI would not include any provisions for such an Advisory Board

FIGURE 36 - PROPOSED IBNI GOVERNANCE STRUCTURE

Source: IBNI-IO SAG

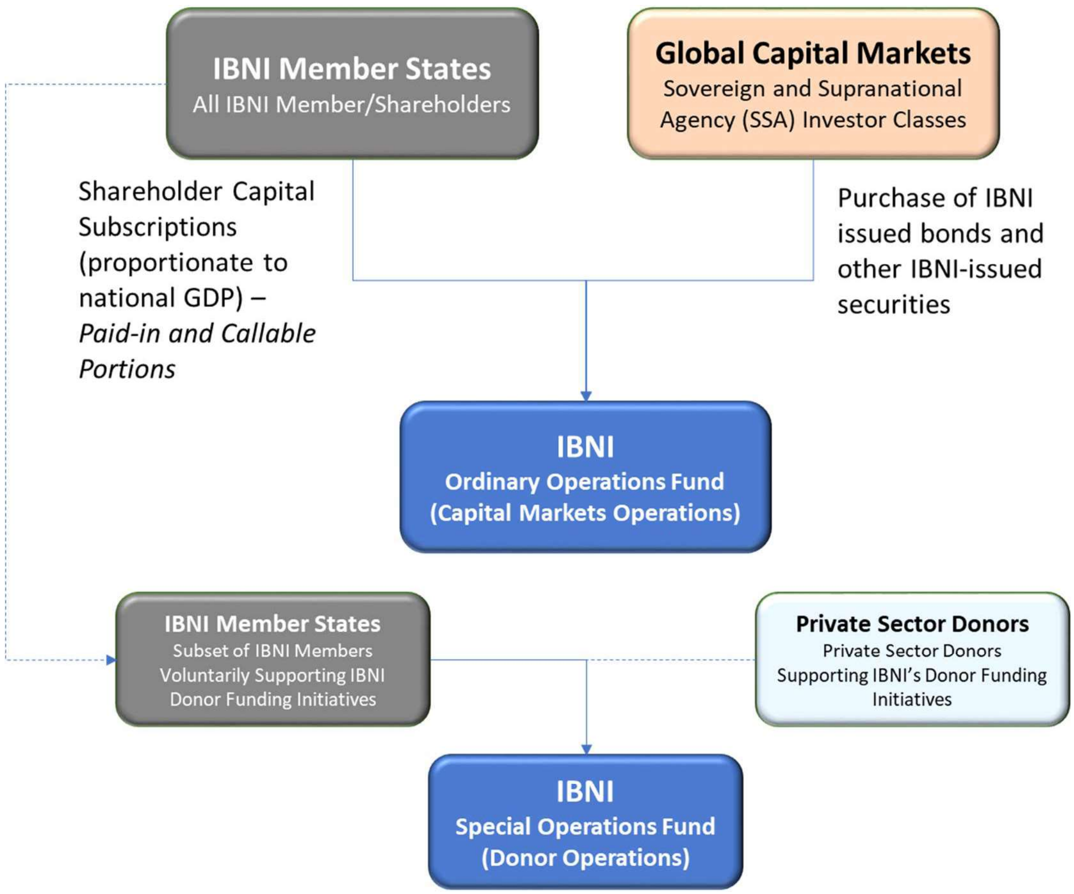
Consistent with the arrangements for most existing MDBs, it is envisaged that IBNI will be capitalized and funded from two primary sources: IBNI Member States (e.g., a multinational coalition of sovereign governments) and from the global capital markets (e.g., investors). Also, consistent with many existing MDBs, IBNI will maintain two separate and distinct operations and associated operational funds:

- **IBNI Ordinary Operations.** The Bank's Ordinary Operations will consist of all commercial and capital markets operations of IBNI. The Bank's associated Ordinary Operations Fund will be capitalized from shareholder (common equity) capital subscriptions from all IBNI Member States and from global capital markets purchases of IBNI issued bonds and other securities.
- **IBNI Special Operations.** The Bank's Special Operations will consist of all donor-funded special programs operations of IBNI. Special Operations programs administered through Bank's associated Special Operations Fund are expected to be funded predominantly through donor funding from various subsets of voluntary IBNI Member States who wish to contribute (earmarked) funds for

specific Special Operations programs and initiatives that they support. In some cases, private donors may also provide matching funds for certain Special Operations initiatives of the Bank.

Proposed Capitalization and Funding of both the Ordinary Operations and Special Operations Funds is illustrated below in Figure 37. Each of the funds (Ordinary Operations Fund and Special Operations Fund) will be segregated and accounted for separately and distinctly. IBNI's operations in both categories will be more thoroughly discussed in the following *Section 7 – Proposed IBNI Operational Plans and Programs*.

FIGURE 37 - PROPOSED IBNI CAPITALIZATION AND FUNDING STRUCTURE



Source: IBNI-IO SAG

6.1 Proposed IBNI Capitalization and Membership/Shareholding Plan.

As indicated in Figure 37, the shareholder (equity) capital contributions into IBNI's Ordinary Operations Fund are proposed to be sourced from each of the IBNI Member States[79], using a combination of paid-in and

[79] It is recommended that the IBNI establishment agreements set forth a mechanism to determine how the total shareholder capital requirement of IBNI will be ratably allocated to each respective IBNI Member/Shareholder. In

callable (committed, but not yet paid-in) capital contributions, as is typical of the major MDBs currently in existence. Using the Asian Infrastructure Investment Bank (AIIB) as an example:

- the AIIB had an initial authorized capital reserve of US $ 100 billion, divided into a hundred million shares with the value of US $ 100 each[80];
- within the US $ 100 billion of authorized capital, US $ 20 billion corresponded to paid-in capital (a portion of subscribed capital already paid) and US $ 80 billion to callable capital; and
- the members of the AIIB contributed with capital subscriptions of different values.

MDBs which were established in previous decades have, over time, significantly reduced the proportion of paid-in capital relative to callable capital shares. For example, the World Bank's International Bank for Reconstruction and Development (IBRD) had an initial ratio of paid-in to callable capital of 20:80 (i.e., the same ratio as initially established for the AIIB). However, during subsequent capital increases, the IBRD Board of Governors specified a higher proportion of callable shares, such that the current ratio of paid-in to callable capital is 6:94[81].

As also indicated above in Figure 37, the IBNI's Ordinary Operations will also utilize debt capitalized through the issuance of bonds and other forms of debt securities which are purchased by global capital market investors, after the IBNI's international credit rating had been established. It is envisaged that treasury and operational arrangements and risk management policies of the IBNI would be designed to ensure that the bonds issued by the IBNI would be rated 'triple A' (which is consistent with precedent as 'triple A' credit ratings have been received and maintained by all major MDB's).

Based on scenario analysis, IBNI-IO SAG recommends that the coalition governments target a total initial shareholder capital subscriptions of US $ 50 billion, with 50% (US $ 25 billion) representing paid-in shareholding subscriptions and 50% (US $ 25 billion) representing callable shareholding subscriptions. Customary with other multilateral IFIs, this initial capital requirement would be allocated across no fewer than 50 IBNI Member States. As the program evolves (and the asset base of loans, equity positions, and contingent receivables increases over time) the shareholders can decide to increase total share capital in a stepwise fashion, which will IBNI's programs to expand after demonstrated successes of the IBNI programs will be apparent.

Under the projected world generation scenario combined with a potential high-case 2050 and high levels of IBNI market share, the total shareholder capital commitments could approach US $ 300 billion in 15 years,

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the case of most precedent MDB's the shareholder members have mutually agreed on an equitable methodology such as relative economic output (such as the ratio of national GDP of each member relative to the total GDP of all members). However, other methodologies could also be considered, such as relative GHG emissions, relative energy consumption, nuclear output, etc. which may be mutually agreed amongst the shareholders as equitable determinants.

[80] Source: [45]

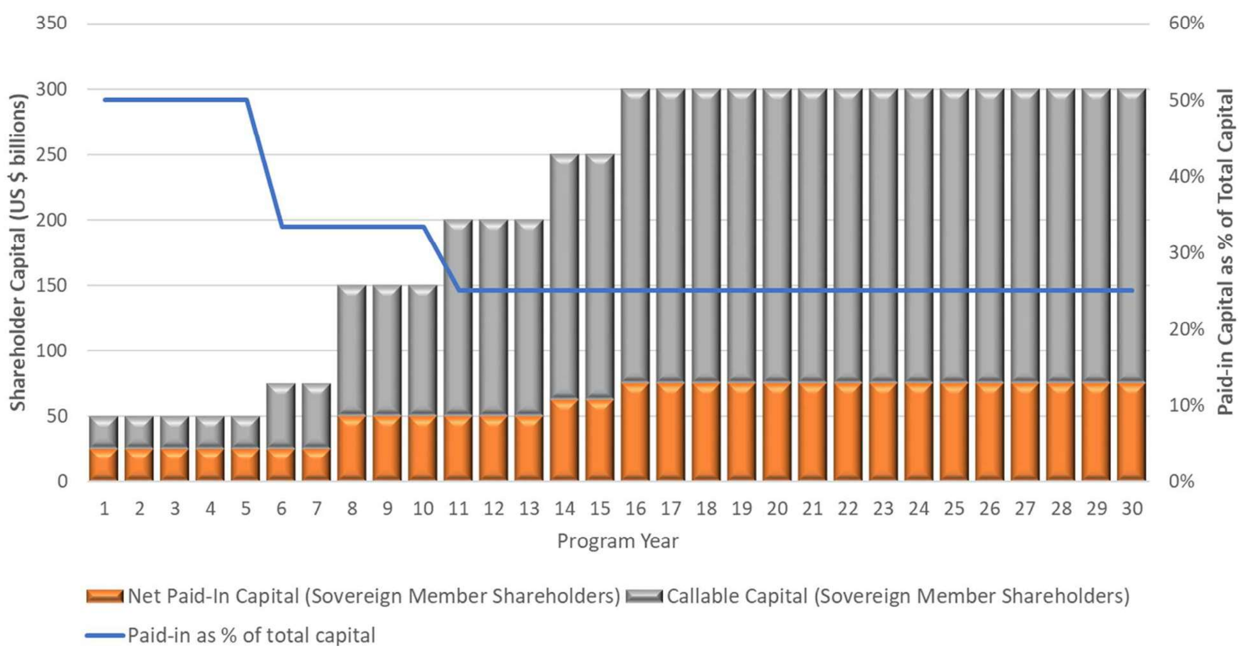
[81] Source: [45]

with the paid-in portion going to US $ 75 billion (or 25% of the total shareholder capital). However, this evolution is dependent on future demand and performances of the program.

In the event of high demand evolutions for the IBNI programs, another possibility may be to offer a preferred equity (non-voting) shareholding position in IBNI. The preferred equity class of shareholder capital would be sourced from global capital markets investors, that would have the capacity to fund all or most of the increased equity capital requirements of IBNI as its programs grow and evolve. The preferred equity class would be given a "preferred" claim on the net revenue (profit) and assets of the IBNI portfolio (ahead of the government Member State shareholders) and on that basis, would offer a lower equity cost of capital (but higher than the Bank's bond yields). This is a solution that would perhaps alleviate the need for governments to pledge and contribute significantly greater amounts of capital as the program evolves in future years. However, additional legal and regulatory due diligence will be necessary to determine whether this option is practical and feasible, should the IBNI Member State shareholders decide to pursue it in the future.

The following chart in Figure 38 below illustrates the projected shareholder capital evolution as the program evolves (under the assumptions that the governmental IBNI Member States continue to entirely fund the capital increases, without the inventions of capital markets preferred shareholders).

FIGURE 38 - PROJECTED IBNI SHAREHOLDER CAPITALIZATION EVOLUTION (WITH POTENTIAL HIGH DEMAND SCENARIOS)



Source: IBNI-IO SAG

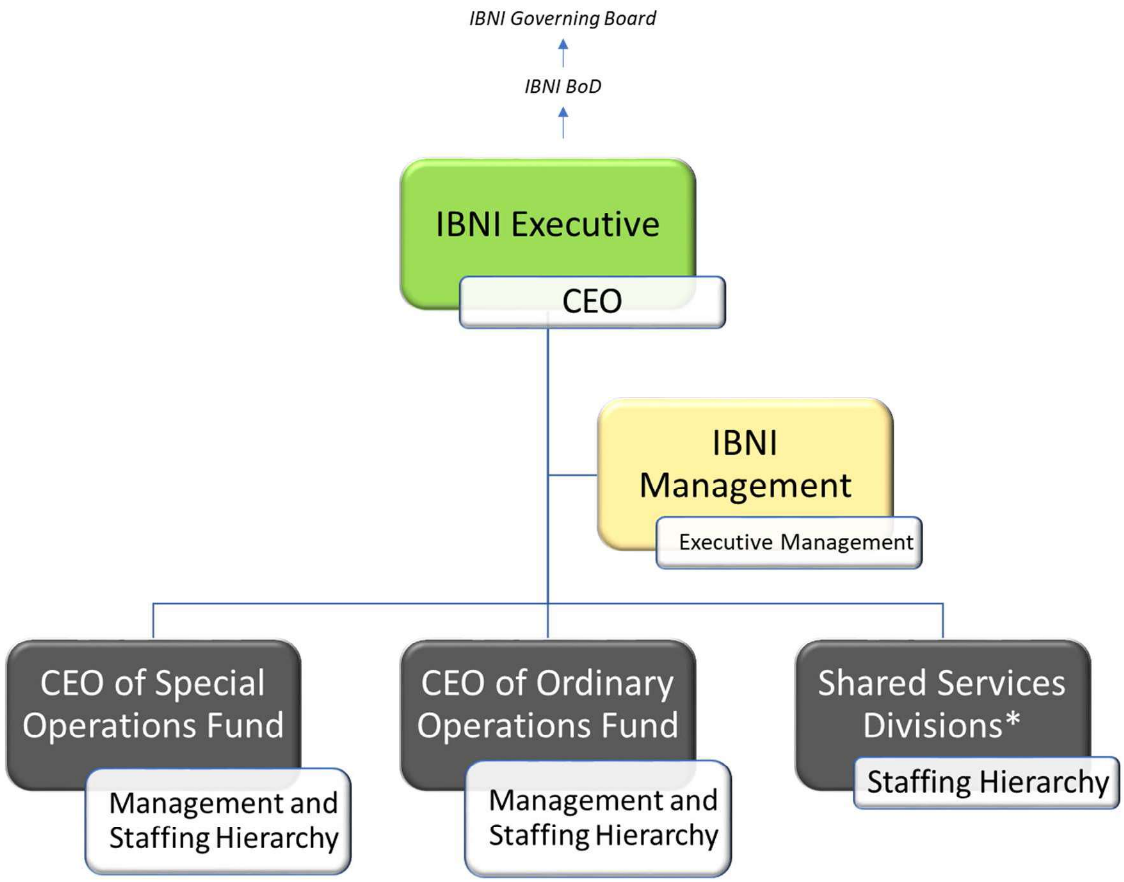
6.2 Proposed IBNI Governance and Management Plan

As set forth above in Figure 36, it is recommended that IBNI established a Governing Board, which would meet on an annual basis. The Governing Board would consist of representatives of each Member State, with each representative having voting rights corresponding to the level of shareholder capital contributions of the representative's state.

IBNI would also have a non-resident Board of Directors, which will meet on a monthly basis. The Board of Directors will consist of nine representatives (directors) chosen by the Governing Board (with a representative balance of the interests of the diverse IBNI membership basis, ranging from highly-developed countries to developing countries), with each representative having voting rights corresponding to the shareholder capital contributions of the IBNI Member States represented by that Director.

The Governing Board will be the senior decision-making body of IBNI and will have the ability to delegate powers to the Board of Directors. The Board of Directors will be responsible for providing direction to senior management for the general operations of the IBNI. The management of IBNI will oversee the activities and operations of the two major funds: IBNI Special Operations Fund (IBNI SOF) (headed by CEO of SOF), the IBNI Ordinary Operations Fund (headed by CEO of OOF) and the shared services divisions. The following organigram (Figure 39, below) details the proposed managements structure as it relates to these three major entity categories.

FIGURE 39 - PROPOSED IBNI MANAGEMENT ORGANIGRAM



*Source: IBNI-IO SAG. * Shared services divisions will include services that are used across both major funds and all IBNI-level services divisions. These service divisions will likely include accounting, finance and tax; information technology; risk management; marketing and communications; facilities management; security; compliance; procurement; ESG data collection and reporting; public relations; IBNI Members State, shareholder relations & IGO relations; economics; data management; publishing and editorial; programs development; etc.*