

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، والصلاة والسلام على رسوله الكريم، وعلى آله وأصحابه أجمعين، وبعد.

SHARI'AH PRONOUNCEMENT (FATWA)

On

**K-ELECTRIC - RETAIL, RATED, SECURED, LISTED SUKUK ISSUE
UP TO PKR 25,000 MN (INCLUSIVE OF GREEN SHOE OPTION OF PKR 5,000 MN)**

The Shariah Advisors appointed by the KE ("Shariah Board") have been presented with below mentioned transaction of Sukuk and its mechanism.

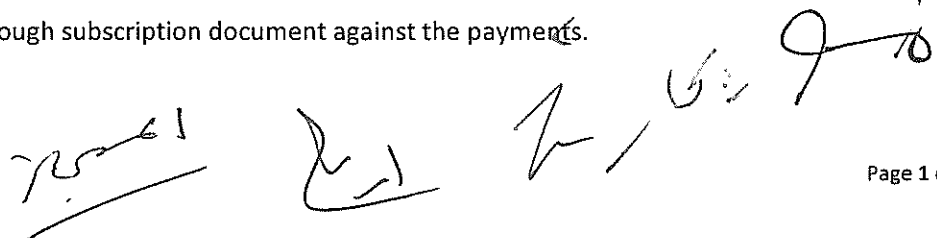
A. PREAMBLE:

K-Electric Limited (the "KE") is desirous of issuing Sukuk for amount up to PKR 25.00 billion (Inclusive of a Green Shoe Option of PKR 5.00 billion). This Sukuk will be Retail, Rated, Secured and Listed Sukuk ("Sukuk" or "Sukuk Issue" or "Issue") as an instrument of redeemable capital. The issue will be offered to Pre-IPO investors and then to the general public for subscription through IPO. The Minimum allocation of capital to the Pre-IPO investors shall be PKR 18.75 billion and the Minimum allocation of capital to the general public through IPO shall be PKR 1.25 billion. The Green Shoe Option may be exercised in Pre-IPO and /or IPO portion of the Issue and will raise the level of amount of Pre-IPO/ IPO accordingly.

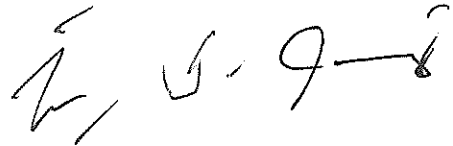
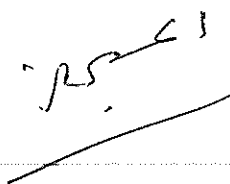
B. SHARIAH STRUCTURE:

The structuring adviser has proposed Diminishing Musharakah on the basis of Shirka-tul-Milk. Following are the details of Shariah Structure:

- 1) This will be a Diminishing Musharakah (Shirka-tul-Milk basis) Sukuk whereby KE will jointly hold the assets portfolio ("Musharakah Assets") with Sukuk holders. Initially KE will identify some specific Transmission Assets (Grids) to create a pool of Musharakah Assets.
- 2) KE will then execute Asset Purchase Agreement "APA" with Investment Agent and in Pre-IPO period, the sale of Musharakah Assets to investors will be made through payments made by Pre-IPO investors. During IPO period, the sale of proportionate Musharakah Assets to subscribers will be made through subscription document against the payments.



- 3) The funds provided by Pre-IPO and IPO investors will be paid to KE by the Investment Agent, on behalf of the investors, to make payments to KE against purchase of Musharakah Assets.
- 4) Investment Agent will enter into Musharakah Agreement under which the investors and KE will jointly own the Musharakah Assets as per agreed ownership ratio.
- 5) KE will be appointed as the manager and agent of Sukuk Holders (co-owners of the Musharakah Assets) through Service Agency Agreement.
- 6) Under this agreement, KE (Managing Co-owner) will be responsible for major maintenance, to arrange Takaful / Insurance of Musharakah Assets and for payments of expenses and taxes in respect of Musharakah Assets.
- 7) The cost actually incurred on account of these services by Managing Co-owner in respect of Sukuk Holders' share in Musharakah Assets, will be reimbursable to Managing Co-Owner by Investment Agent subject to submission of documentary evidences for all such expenses incurred.
- 8) Investment Agent on behalf of investors, will lease out the Sukuk Holders' share in Musharakah Assets to KE by executing a Payment Agreement.
- 9) The lease period will commence from the date of receipt of funds by KE.
- 10) In Pre-IPO period, the investors will become eligible to receive rentals from the date of payment of funds to KE through Investment Agent.
- 11) During IPO period, the subscribers will also become eligible to receive rentals from the date of funds availability.
- 12) Base Rate for rental calculation is subject to the floor and cap of 2% and 25%, respectively.
- 13) KE may undertake through Purchase Undertaking to purchase the Sukuk Holders' share in Musharakah Assets on Buy-Out Price periodically.
- 14) Sukuk will be redeemed by KE on periodic basis, after expiry of Grace Period. The Musharakah Assets will be released from the Musharakah Pool after the receipt of payment by KE as per agreed redemption mechanism.
- 15) After Grace Period, KE may exercise Early Purchase Option for purchase of Musharakah Assets of KE through Sale Undertaking.



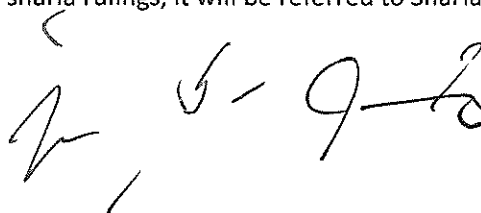
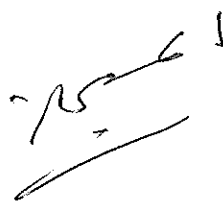
C. SUKUK AGREEMENTS AND DOCUMENTS:

Following are Sukuk Documents for this Sukuk issue which have been presented to Shariah Board:

1. Asset Purchase Agreement;
2. Musharakah Agreement;
3. Payment Agreement;
4. Purchase Undertaking
5. Sale Undertaking;
6. Investment Agency Declaration;
7. Service Agency Agreement;
8. Pre-IPO Placement Agreement;
9. Declaration of Trust

D. IMPORTANT NOTES:

- (a) Subscription document for IPO investors will be presented to Shariah Board when it is finalized after Pre-IPO.
- (b) In case of any deviation in execution from the above or any matter requires Shariah opinion according to Sukuk Regulations and other applicable sharia rulings, it will be referred to Shariah Advisors by KE to obtain Shariah ruling.

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E. PRONOUNCEMENT:

The Shariah Board after reviewing the structure and related documents, is of the view that:

- (a) This Sukuk is an acceptable Islamic financial instrument and its structure and related documents are within the principles of Shariah;
- (b) All Shariah requirements of Sukuk have been fulfilled and the documents do not contain elements repugnant to Shariah to the best of our knowledge;
- (c) This Sukuk issue is free from interest and other non Shariah compliant acts and provisions;
- (d) This view is subject to satisfactory execution of Sukuk Documents as advised by us.
- (e)

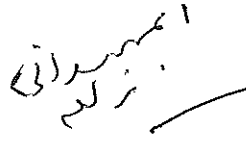
And Allah knows best,

و صلى الله على نبينا محمد وآله وأصحابه وبارك وسلم



Muhammad Yahya Asim

Shariah Advisor



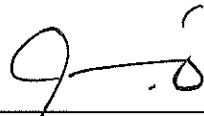
Dr. Ejaz Ahmad Samadani

Shariah Advisor



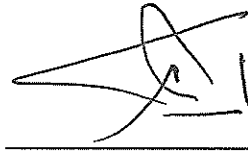
Dr. Muhammad Zubair Usmani

Shariah Advisor



Dr. Noor Ahmed Shahtaz

Shariah Advisor



Mufti Irshad Ahmad Aijaz

Shariah Advisor

Dated: December 06, 2019 (8th Rabi al Sani, 1441)