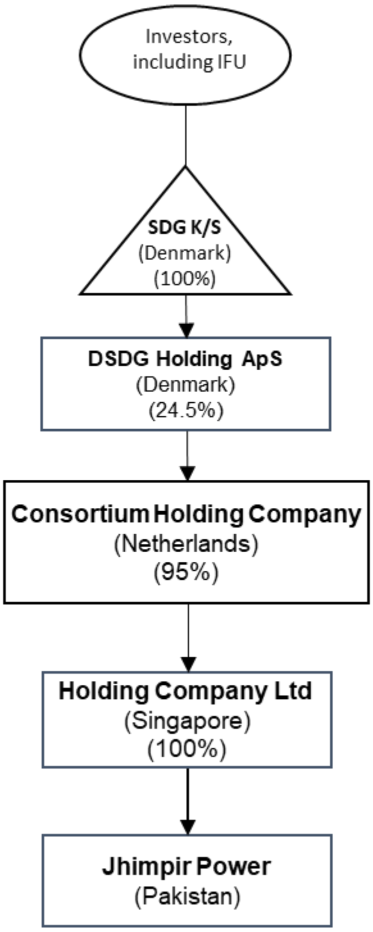
TAX ROOM

Analytical Thinking Clear Answers

Tax policy compliance statement for Pakistan Clean Development Platform

1. The contemplated investment structure



Danish SDG I Fund K/S (SDG) will be providing finance for Pakistan wind energy power production through investing with equity in a Dutch Consortium Holding Company, holding 95% of the shares in a Singapore Holding Company holding the entire share capital in Jhimpir Power, which is the Pakistan operating company for a 50 MW wind park in Pakistan. Pakistan's government has generally granted exemption from Pakistan corporate income tax towards entities like Jhimpir Power engaged in power production.

TaxRoom P/S
De Conincks Vej 13
DK-2840 Holte

VAT no. DK 37 91 89 11
www.taxroom.dk
Tel +45 25 24 51 76

2. Compliance with IFU's tax policy

The investment structure has been subject to due diligence and based on the facts and circumstances made available, TaxRoom is of the opinion that the investment structure complies with IFU's tax policy for the following main reasons:

- IFU recognises the right of governments to design their own tax policies to push forward specific industries becoming developed more rapidly, why Pakistan's granting of tax exemption to the power generating industry does not conflict with IFU's tax policy, OECD guidelines and does not work against the spirit of tax laws.
- Pakistan withholding tax of 7,5% applies to any dividend distribution and is not reduced due to the established holding company structure.
- Taking over the Singapore holding company is a deal term from the vendor and does not provide any tax benefits for SDG. The purpose of the Singapore holding company is motivated for legal reasons as the vendors did not want to be subject Pakistan law in case of an internal disagreement between the initial investors. Furthermore, the structure provides for an additional exit structure if a direct transfer of the Pakistan operating company is not preferred by new buyers.
- Dutch Consortium Holding Company is established to aggregate three investors coming from three different jurisdictions and creating a joint investment platform for this project and potential future Pakistan wind farm projects.
- Dutch Consortium Holding Company is informed and viewed to meet Dutch substance requirements and also to be in compliance with OECD's principal purpose test.The lead consortium investor is Dutch and also a shareholder in the third consortium partner from Canada.
- Dutch and Danish tax analysis confirms that DSDG Holding ApS is (i) a tax treaty eligible investor, (ii) entitled to benefit from the EU participation exemption regime and (iii) in compliance with all Dutch and Danish anti-tax avoidance legislation.
- Tax memorandum from PWC in Canada and Pakistan confirms that investing through the Dutch and Singapore Holding companies should not be conflicting with OECD guidelines (principal purpose test).
- Neither of the two holding company jurisdictions are listed on EU's black-list for non-cooperative jurisdictions and Singapore is concluded by OECD's per review in 2018 to be compliant and the Netherlands in 2017 to be largely compliant.

3. Disclosure, cf. EU Directive 2018/822/EU

The equity investment in Dutch Consortium Holding Company should not be subject to disclosure under the EU DAC 6 Directive as the listed hallmarks required for triggering a disclosure obligation are not met for this transaction.

TaxRoom P/S, 10 December 2019

Claus Kirkeby Olsen