

Term Sheet of PES-II

Issuer	Power Holding Limited (“ PHL ” or the “ Issuer ”).
Eligible Investors	includes the following: <ul style="list-style-type: none"> (i) A Scheduled Bank as defined in the Companies Act, 2017; A Financial Institution as defined in the Companies Act, 2017; (ii) Mutual Funds, Voluntary Pension Schemes and Private fund being managed by NBFC; (iii) Insurer registered under the Insurance Ordinance, 2000. (iv) A Securities Broker; (v) A fund and trust as defined in the Employees Contributory funds (Investment in listed securities) Regulations, 2018 (vi) A company and Body Corporate as defined in the Companies Act, 2017 (vii) Eligible individual investors having net assets of at least Rs. 2.00 million
Transaction / Issue Summary	Government of Pakistan (“ GoP ”) intends to issue Secured Pakistan Energy Sukuk II through PHL in order to raise funds to fulfil its financing requirements including but not limited to settlement of part of prevailing circular debt related to Power Sector (herein referred to as “ Sukuk ” or the “ Transaction ”) under Pakistan Energy Sukuk Rules, 2019.
Purpose	The disbursement proceeds will be utilized for funding the repayment liabilities of the DISCOs through CPPA-G to settle overdue payments in the total payables of CPPA towards various sectoral entities.
Transaction / Issue Amount	Up to PKR 200 Bn The issue amount is subject to availability of Transaction Assets of sufficient value with 100% margin.
Book Building Size	The Book Building will be conducted for issue size of up to PKR 200 billion.
Discretion of the Issuer	At the end of the Book Building the issuer would have the discretion to decide the issue size and the cut off spread would be calculated based on the revised issue size.
Face Value of Sukuk	PKR 5,000.
Drawdown	Drawdown shall be made in bullet.
Tenor	Ten (10) years
Issue Redemption	The entire Issue would be redeemed in bullet at the expiry of the Tenor.
Profit/Rental Payment	Semi-annually in arrears. Profit will accrue from the date when the amount is credited in the bank account of PHL
Profit rate /coupon rate	6-month Kibor* + spread determined through book building method <i>*Karachi Interbank Offer Rate (“KIBOR”) is defined as Average Ask rate for the relevant tenor, as published on Reuters page KIBOR or as published by the Financial Markets Association of Pakistan in case the Reuters page is unavailable. The Base Rate will be set for the first time one business day prior to the Issue date and then on the last business day prior to each half yearly reset date</i>
Transaction Structure	The transaction structure is based on Ijarah (sale & lease back), details of which are given at annexure A. The structure will be finalised in compliance with relevant and applicable legal & regulatory framework and guidelines provided by the Sharia’h Advisor of the Transaction.
Underlying Transaction Assets	Identified unencumbered assets comprising of land, building, plant and machinery in usable form (the “ Transaction Assets ”) owned by following entities. The Transaction Assets will be identified by the Ministry of Energy and will be used to develop a Sharia’h complaint Transaction Structure. The names of some of the potential entities for the purposes of Transaction Assets are given below: <ol style="list-style-type: none"> 1. Jamshoro Power Company Limited (“JPCL”) GENCO I 2. Central Power Generation Company Limited (“CPGCL”) GENCO II 3. Northern Power Generation Company Limited (“NPGCL”) GENCO III 4. Lakhra Power Generation Company Limited (“LPGCL”) GENCO IV 5. Peshawar Electric Supply Company (“PESCO”) 6. Islamabad Electric Supply Company (“IESCO”)

	<p>7. Gujranwala Electric Power Company (“GEPCO”)</p> <p>8. Lahore Electric Supply Company (“LESCO”)</p> <p>9. Faisalabad Electric Supply Company (“FESCO”)</p> <p>10. Multan Electric Power Company (“MEPCO”)</p> <p>11. Hyderabad Electric Supply Company (“HESCO”)</p> <p>12. Quetta Electric Supply Company (“QESCO”)</p> <p>13. Sukkur Electric Power Company (“SEPCO”)</p> <p>14. Tribal Areas Electric Supply Company (“TESCO”)</p> <p>(the above listed entities are referred to as “Company(ies)”).</p> <p>Note: Valuation of the Assets by the Transaction Valuator would be in place before the disbursement, to the satisfaction of Sharia’h Advisor.</p>
Takaful / Insurance	Sharia’h compliant insurance/Takaful shall be obtained as & when required by the Investors.
Security	<p>The Investor(s) would be secured through:</p> <ul style="list-style-type: none"> • Unconditional, irrevocable and continuing First Demand Guarantee covering Issue Amount, Profit/ Rental Payment and any other amount due, from the Ministry of Finance, Government of Pakistan. It may be noted that the Drawdown shall be made against a Letter of Comfort from Ministry of Finance (“MoF”) (herein referred to as “LoC”) confirming issuance of GoP Guarantee within a period of sixty (60) days from the date of Drawdown. • Creation of security interest/charge over the Underlying Transaction Assets in favor of the Investors, to the satisfaction of the Investors; and • A tripartite Escrow arrangement between the Issuer, the Investment Agent and Central Power Purchasing Authority (“CPPA”), under which a separate Escrow Account (herein referred to as “CPPA Escrow Account”) be opened and maintained with the Investment Agent.
Joint Financial Advisors	Meezan Bank; Dubai Islamic Bank and Bank Alfalah Limited
Investment Agent	Meezan Bank Limited
Sharia’h Advisor	Mufti Sajjad Hussain Zafar
Legal Counsel	Mohsin Tayebaly & Company
Transaction Valuator	Sipra & Company (Private) Limited
Banker to the Issue	National Bank of Pakistan
Book Runner	National Bank of Pakistan along with its Subsidiary Taurus Securities Limited
Central Depository Company	The Sukuk will be inducted in CDC and all cost pertaining to the induction of Issue in CDC will be borne by the Issuer at actual(s).
Listing on Pakistan Stock Exchange (“PSX”), if required	Sukuk shall be listed at Pakistan Stock Exchange, and the cost of listing shall be borne by the Issuer.
SLR Eligibility	The Sukuk shall be an SLR eligible instrument, on the basis of Pakistan Energy Sukuk Rules, 2019, published vide Government of Pakistan S.R.O. 255(I)/2019, issued by Ministry of Energy (Power Division) for 100% of the holding for all Investors.
Stamp Duty	Stamp duty related to the Facility will be borne by the Issuer at actual(s).
Other Costs	All other costs relating to consultants, including but not limited to accountants, tax and marketing consultants (if any) will be paid by the Issuer at actual(s). For abundant clarity, all fees, already not captured in this Offer, with respect to issuance and listing of Sukuk would be paid by the Issuer at actual(s).
Conditions Precedent	<p>Conditions Precedent to disbursement(wherever applicable) to be mutually agreed upon in the finance and security documents to be executed in respect of the Issue (the “Transaction Documents”) and shall include, but not limited to, the following:</p> <ol style="list-style-type: none"> a) Internal credit and Sharia’h approvals of the Investors; b) Execution and delivery of all documentation required for a facility of this nature in form and substance satisfactory to both Investors and the Issuer; c) Creation and perfection of structure and security to the satisfaction of the Investors and Investors’ Legal Counsel; d) Compliance with the Prudential Regulations as applicable on banks and other covenants agreed or to be mutually agreed between the Investors and the Issuer and contemplated in the ITS and the Transaction Documents. Any and all waivers required from State Bank of Pakistan or any other regulatory

	<p>body including but not limited to approval for disbursement on the basis of Letter of Comfort and allocation of Public Sector Ceiling from State Bank of Pakistan (“SBP”) / GoP (if required) for the Issue Amount in favor of the Investors;</p> <p>e) The Sukuk shall be an SLR eligible instrument, on the basis of Pakistan Energy Sukuk Rules, 2019, published vide Government of Pakistan S.R.O. 255(I)/2019, issued by Ministry of Energy (Power Division) for 100% of the holding for all Investors;</p> <p>f) Comprehensive insurance/Takaful of assets (preferably by a Takaful company (if possible)) up to the amount of the Issue with relevant margin duly endorsed in favor of the Investment Agent;</p> <p>g) The Issuer will ensure that all consents, approvals, registrations and authorizations, Government and / or corporate, that are required for the procurement of the Issue, are in place and in full force;</p> <p>h) Due-diligence of the regulatory approvals, corporate approvals, by Investors and Investors’ Legal Counsel up to their entire satisfaction;</p> <p>i) Submission of the documents, including but not limited to the following, to the Investors:</p> <ol style="list-style-type: none"> i. Company Secretary certified Memorandum & Articles of Association (or equivalent identification documents) of the Issuer containing SECP stamp; ii. Board Resolution of Issuer authorizing the Issuer to issue the Sukuk; iii. SECP certified: <ul style="list-style-type: none"> • Certificate of Incorporation / Commencement of Business; • Form 29; and • Form A. iv. List of authorized signatories with specimen signatures, duly certified by the company secretary on letterhead; v. List of directors with signatures, duly certified by the company secretary; vi. CNIC copies of all directors, duly attested by the company secretary; vii. Duly filled, signed and stamped Borrower’s Basic Fact Sheet; viii. Duly filled signed and stamped Financing Application Form (“FAF”); ix. Undertaking for Appropriate Utilization of Funds signed by authorized secretary. <p>j) List of authorized signatories of Ministry of Finance and Companies, duly certified by the relevant authorities;</p> <p>k) Receipt of a satisfactory legal opinion from the Investors’ Legal Counsel, confirming inter alia the validity, enforceability and binding effect of the obligations of the Issuer under the Transaction Documents, in a form and substance acceptable to the Investors;</p> <p>l) Payment of all due fees, costs and expenses (including but not limited to Investors’ Legal Counsel’s fees and Valuator’s fee, etc. in accordance with the terms and conditions contained in this ITS and Transaction Documents);</p> <p>m) Valuation of Transaction Assets by Pakistan Banking Association (“PBA”) approved valuator, acceptable to Investors;</p> <p>n) an Escrow Arrangement to the satisfaction of the Investors to be in place (as defined in the Security section);</p> <p>o) NOC/consent/permission (from each Company), as advised by Investors’ Legal Counsel, in favour of Issuer to sell undivided share in the Assets to the Investors and creation of required security interest/charge over the Assets with SECP;</p> <p>p) Board Resolution from all the Companies, confirming clean and unencumbered status of the title documents of Assets and permission to enter</p>
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	into Sukuk transaction.
Transaction Covenants	<p>All covenants including financial covenants will be customary and mutually agreed upon in the Transaction Documents which shall include, but not limited to, the following:</p> <ol style="list-style-type: none"> a) Without the prior consent of the Investors, the Issuer or the Company(ies) shall not dispose of, sell, lease or otherwise create, incur, assume or suffer to exist any encumbrance whatsoever over the Transaction Assets; b) Compliance with Prudential Regulation of State Bank of Pakistan at all times; c) Maintenance of applicable Security margin at all times; d) Maintain acceptable and adequate accounting, management and cost accounting systems and books and records of account in accordance with International Accounting Standards as applicable in Pakistan; e) The Issuer shall ensure that all approvals or consents necessary for carrying out the business and operations shall remain valid and in force during the entire Issue Tenor; f) All required insurances/Takaful are in full force and effect at all times during the Issue Tenor; g) Submission of audited half-year accounts within 60 days of half-year end and annual audited accounts within 120 days of the financial year-end by the Issuer; h) Sharia'h audit of the Sukuk will be done on annual basis (if required by SECP). The cost of Sharia'h audit will be borne by the Issuer.
Events of Default	<p>The Events of Default will be usual and customary for a transaction of this type and will be including, but not limited to, the following:</p> <ol style="list-style-type: none"> a) failure to make payments under Transaction Documents; b) breach of any term and/or covenant contained in the Transaction Documents; c) breach of any representation or warranty, contemplated in the Transaction Documents; d) Termination, suspension, repudiation or revocation of Transaction Documents; e) Illegality, invalidity or unenforceability of any of the Transaction Documents or if Transaction Documents ceases to be in full force or effect; f) Invalidity of security or material diminution in the value of any security or secured property; g) Abandonment or destruction of the whole or a material part of the Security unless fully insured and the insurance/Takaful proceeds are available to be applied in reinstatement; h) Default of Issuer in any other financial arrangement with any other party ("Cross Default"); i) Occurrence of any event (or series of events) which, in the reasonable opinion of the Agent, has or is likely to have or result in a Material Adverse Effect.
Indemnification	<p>The Issuer hereby indemnifies and agrees to hold harmless the Investors, Investment Agent, Sharia'h Advisor and each of their affiliates and each of its respective officers, directors, employees, agents, advisors and representatives (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, costs and expenses (hereinafter collectively referred as "Claim"), joint or several, that may be incurred by or awarded against any Indemnified Party, in each case arising out of or in connection with or relating to the Offer or the Issue except to the extent such Claim has resulted from such Indemnified Party's gross negligence or wilful misconduct.</p>
Governing Laws	<p>The Transaction Documents will be governed by and construed in accordance with the laws of the Islamic Republic of Pakistan and Islamic banking regulations issued by SBP.</p>
Sharia'h Compliance	<p>The overall Issue will be structured and executed in Sharia'h Compliant manner in accordance to the guideline provided by the Sharia'h Advisor of the transaction and all parties involved in the transaction will commit to ensure the Sharia'h Compliance of this Issue at all times.</p>

Annexure A

Overview of the Sharia'h Structure and Transaction Documents of the Issue is as follows:

1. Sukuk Subscription and Investment Agency Agreement

The Investors will appoint one of the participating banks as their Investment Agent by executing Sukuk Subscription and Investment Agency Agreement for the purpose of participating in Sukuk.

2. Authorization Agreement

This Agreement will be entered into between the Investment Agent, Companies and Issuer, pursuant to which the Companies will record the permission to sell the Assets to the Investors for the purposes of the Sukuk, contain certain negative and positive covenants.

3. Master Facility Agreement

Master Facility Agreement will be executed between Issuer and Investment Agent to create joint co-ownership over the identified Assets.

4. Asset Purchase Agreement

At the time of disbursement, an Asset Purchase Agreement will be signed between the Investment Agent (acting on behalf of Investors) and Issuer. The Asset Purchase Agreement will also be acknowledged by authorized representatives of GENCOs/DISCOs, if required.

5. Ijarah Agreement

After execution of Asset Purchase Agreement, Issuer and Investment Agent will execute an Ijarah Agreement, under which Investment Agent will lease the undivided share of Investors in the Assets to the Issuer.

6. Trust Deed

A Trust Deed will be executed by Issuer and the Trustee pursuant to which the Sukuk will be governed.

7. Substitution of Assets

Upon request of the Issuer and on the sole discretion of the Investors at that time, specific part of the Underlying Transaction Assets can be substituted with other Assets of the same value by executing the agreements/documents advised by the Legal Counsel and Sharia'h Advisor at that time.

8. Purchase Undertaking

After execution of Ijarah Agreement, the Issuer, on behalf of the Companies, will give a unilateral undertaking to purchase all the outstanding ownership of the Investors at a Buyout price upon maturity and at any Event of Default and Termination under the Sukuk Agreements by executing Sale and Purchase Agreement with the Investment Agent.

Any other agreement(s) as suggested by the Legal Counsel and the Sharia'h Advisor