
MUSHARAKA AGREEMENT

By and Between

K-ELECTRIC LIMITED

(As the Managing Partner)

And

HABIB BANK LIMITED

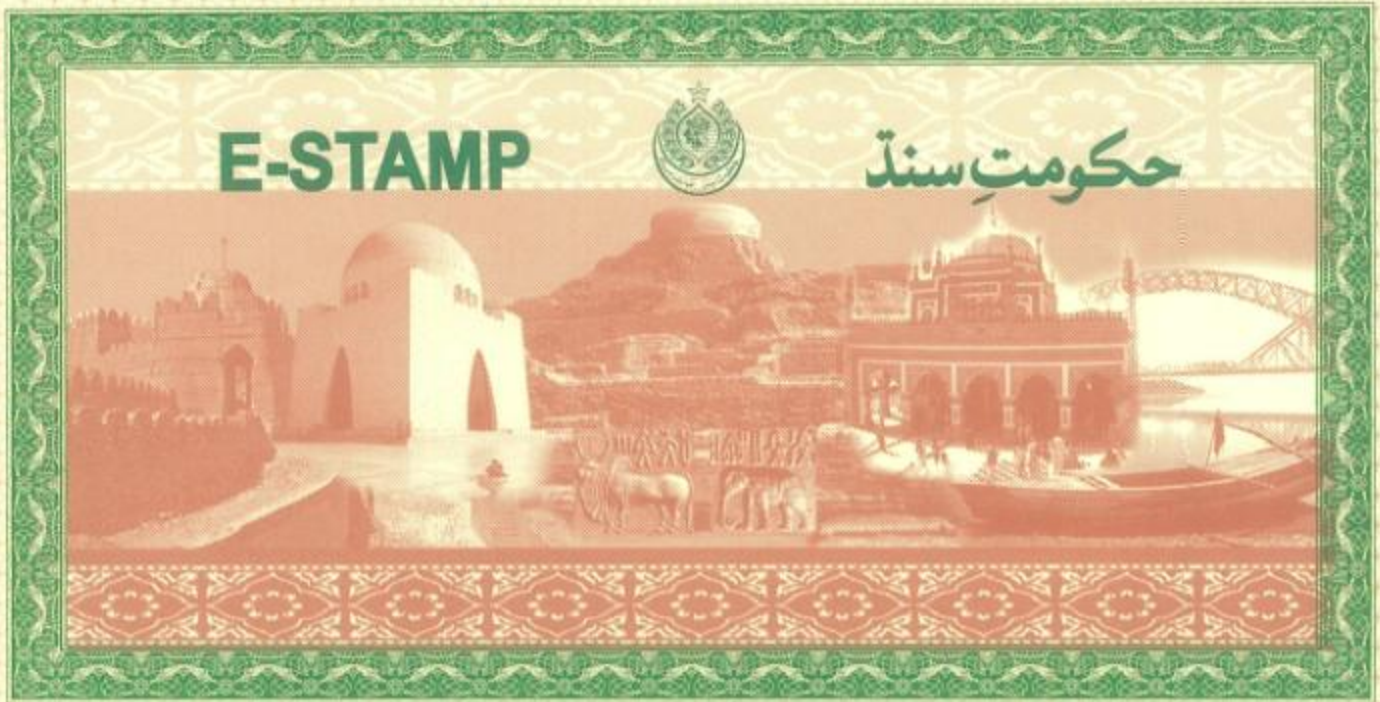
(As the Issue Agent)

Executed at Karachi on April 24, 2025



MOHSIN TAYEBALY & CO.
CORPORATE LEGAL CONSULTANTS | BARRISTERS & ADVOCATES





NBP-1066-2504220007221240

GoS-KHI-E0227DC51342680B

Non-Judicial**Rs 1,000/-**

| | |
|----------------------|--|
| Description | : Agreement or Memorandum of an Agreement - 3(c) |
| First Party | : K-Electric Limited [15431371] |
| Second Party | : Habib Bank Limited [06981879] |
| Applicant | : Ameer Jalal [42401-6195446-9] |
| Stamp Duty Paid by | : K-Electric Limited [15431371] |
| Issue Date | : 22-Apr-2025, 01:37:01 PM |
| Paid Through Challan | : 20254DC8096F8085 |
| Amount in Words | : One Thousand Rupees Only |

Please Write Below This Line

You can verify your e-Stamp paper by scanning the QR code or online at www.estamps.gos.pk using the "Verification Through Web" option.**MUSHARAKA AGREEMENT**

This MUSHARAKA AGREEMENT is made at Karachi on April 24, 2025 (hereinafter referred to as the "Agreement");

BY AND BETWEEN

1. K-ELECTRIC LIMITED, a company incorporated under the laws of Pakistan and having its registered office at KE House, 39-B, Sunset Boulevard, Phase-II, Defence Housing Authority, Karachi (hereinafter referred to as the "Managing Partner", which expression shall mean and include, where the context so requires or admits, its successors-in-interest and permitted assigns);

AND



2. **HABIB BANK LIMITED**, a banking company incorporated under the laws of Pakistan and having its registered office at 9th Floor, Habib Bank Tower, Jinnah Avenue, Blue Area, Islamabad (hereinafter referred to as the **"Issue Agent"** which expression shall mean and include where the context so requires or admits its successors-in-interest and assigns).

(The Managing Partner and the Issue Agent are hereinafter collectively referred to as the **"Partners"** and each individually referred to as a **"Partner"**).

WHEREAS:

- A. The Managing Partner on the date of these presents is, *inter alia*, involved in and undertaking the Designated Business (as defined below).
- B. The Investors, pursuant to the Sukuk Subscription and Issue Agency Agreement(s) and the Application Form(s) (as applicable), have appointed / intend to appoint the Issue Agent to act as their agent for the purposes mentioned in the Sukuk Subscription and Issue Agency Agreement(s), including the formation of the Musharaka with the Managing Partner and to do all acts necessary for the said purposes.
- C. The Issue Agent (on behalf of the Investors) has agreed to invest in the Designated Business of the Managing Partner on a profit and loss sharing basis i.e., Musharaka (Shirkat-ul-Aqd) on the terms and conditions hereinafter appearing.
- D. It is anticipated that the contributions of the Issue Agent (on behalf of the Investors) towards the Musharaka Investment shall be represented by the Sukuk Issue with each Sukuk Certificate reflecting and representing ownership/investment of the Investors in the Designated Business.

NOW, THEREFORE IT IS HEREBY AGREED BETWEEN THE PARTNERS AS FOLLOWS:

1. PURPOSE

1.1 Purpose

- 1.1.1 This Agreement sets out the terms and conditions upon and subject to which the Partners have agreed to enter into a Musharaka in respect of the Designated Business.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

- 2.1.1 The following terms shall in this Agreement have the meaning assigned hereunder. In addition, all capitalized terms used in this Agreement, unless specifically defined shall have the meaning ascribed thereto under the Sukuk Issuance Agreement:

"Articles" means the articles of association of the Managing Partner, as amended from time to time;

"ASAS" means ASAS Shariah Advisory Services (Private) Limited;

"Availability Period" means a period commencing from the Closing Date and ending prior to the subscription period under the Public Offering;

"Business Day" means a day on which banks are open for the transaction of general banking business in Pakistan;



"Buy Out Price" means the outstanding principal value of the Issue Agent's Investment;

"Closing Date" means the date on which all conditions precedent, as set out in Clause 5.1.1 hereunder are met by the Managing Partner to the satisfaction of the Issue Agent, which date shall be no later than 30 (thirty) days from the date of execution of this Agreement or as waived or deferred (as applicable) by the Issue Agent at the request of the Managing Partner;

"Distribution Network Assets" means the high-tension assets used to transmit electricity from substations to the distribution transformer, and in respect of the Musharaka established pursuant to this Agreement, relates to such assets pertaining to the Integrated Business Centre specified at Sr No. 4 of Schedule 5 of this Agreement (IBC – Defence) and as further detailed in Schedule 6 hereto;

"DSL Regulations" means Chapter 5B of the Rule Book titled "Listing of Debt Securities Regulations" as amended from time to time;

"Designated Business" means the business of the Managing Partner relating to the distribution of electricity to its customers/consumers (including industrial, commercial, agricultural and residential areas), in the Integrated Business Centres specified by the Issue Agent;

"Event of Default & Termination" means each of the events of default and termination as set out in Clause 11 hereunder;

"Financial Indebtedness" means any indebtedness (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent for or in respect of:

- (a) moneys borrowed or raised by the Managing Partner including, without limitation, any loans or finances as defined in the Financial Institutions (Recovery of Finances) Ordinance, 2001;
- (b) any amount raised by acceptance under any acceptance credit facility;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, sukuk, notes, debentures, debt stock, redeemable capital or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with generally accepted accounting principles in Pakistan, be treated as a finance or capital lease;
- (e) receivables assigned/sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into, in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
- (i) any amount raised by the issue of redeemable shares;



- (j) any amount of any liability under an advance or deferred purchase agreement if one of the primary reasons behind the entry into this agreement is to raise finance; and
- (k) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) above;

"Integrated Business Centres" means the integrated business centres of the Managing Partner as more particularly identified in Schedule 5 attached hereto;

"Investors" shall have the same meaning as provided under the Sukuk Issuance Agreement;

"Issue Agent's Investment" means the Issue Agent's contribution (on behalf of the Investors) towards the Musharaka Investment as detailed in Clause 3.1.1 hereunder;

"Investment Agent" means Habib Bank Limited as the investment agent appointed pursuant to the Sukuk Issuance Agreement;

"Issue Date" has the meaning assigned to it under the Sukuk Issuance Agreement;

"Managing Partner's Investment" means the Managing Partner's contribution towards the Musharaka Investment as detailed in Clause 3.1 hereunder;

"Material Adverse Effect" means the occurrence of any event or series of events which in the reasonable opinion of the Issue Agent, might have a material adverse effect on (i) the business, assets or financial condition of the Managing Partner; (ii) on the Managing Partner's ability to perform its obligations under this Agreement or any other agreement entered into in connection herewith; or (iii) which may materially and adversely affect the Issue Agent's rights and remedies or its ability to continue with the arrangements under this Agreement or any other agreement entered into in connection herewith;

"Memorandum" means the memorandum of association of the Managing Partner, as amended from time to time;

"Musharaka" means the Musharaka established by the Partners, whereby each Partner has contributed / agreed to contribute towards the Musharaka Investment in terms of this Agreement;

"Musharaka Investment" means the aggregate sum of the Issue Agent's Investment and the Managing Partner's Investment;

"Musharaka Contribution Request" means a notice substantially in the form set out in Schedule 4 hereto, to be issued by the Managing Partner to the Issue Agent, requesting disbursement of the Issue Agent's Investment;

"Musharaka Commencement Date" means the date of first disbursement/contribution of the Issue Agent's Investment;

"Musharaka End Date" means the date falling 1 (one) year from the Issue Date;

"Musharaka Loss" means the Musharaka loss of the Managing Partner incurred in connection with the Designated Business during the Loss Period calculated as per Schedule 3;

"Musharaka Profit" means the Musharaka profit of the Managing Partner (net of donations) incurred in connection with the running of the Designated Business during the Profit Period and calculated as per Schedule 3;



"PACRA" means The Pakistan Credit Rating Agency Limited;

"Profit Sharing Mechanism" means the mechanism in which the Managing Partner and the Issue Agent will share in the Musharaka Profit of the Designated Business, as detailed in Schedule 1 attached hereto;

"Profit Period" or "Loss Period" means the 12 (twelve) months period commencing from the Issue Date and ending on the Musharaka End Date, unless terminated earlier due to the occurrence of an Event of Default & Termination (whichever is earlier);

"Provisional Profit Payments" means the provisional profit payments calculated as per Schedule 2 hereto for the Profit Period;

"Pak Rupees" or "PKR" means the lawful currency of Pakistan;

"Public Offering Regulations" means the Public Offering Regulations, 2017, as amended from time to time;

"Rule Book" means the Pakistan Stock Exchange Limited Regulations issued by the Stock Exchange, as amended from time to time;

"SBP" means the State Bank of Pakistan;

"SECP" means the Securities and Exchange Commission of Pakistan;

"Shariah Advisor - I" means the shariah board of HBL Islamic Banking presently consisting of Dr. Zubair Usmani, Dr. Mufti Yahya Asim and Dr. Ejaz Ahmed Samadani, and their respective successors/replacements;

"Shariah Advisor - II" means the shariah board of ASAS presently consisting of Mufti Syed Zahid Siraj, Mufti Waseem Akhtar and Mufti Muhammad Nadeem Siddiqui, and their respective successors/replacements;

"Shariah Advisor - III" means Mufti Ali Asghar;

"Shariah Advisors" means, collectively, Shariah Advisor – I, Shariah Advisor – II and Shariah Advisor – III;

"Sukuk Certificate" has the meaning ascribed to it under the Sukuk Issuance Agreement;

"Stock Exchange" means the Pakistan Stock Exchange Limited;

"Sukuk Issue" means the issuance of Shariah compliant Sukuk Certificates by the Managing Partner in the aggregate amount of up to PKR 3,000,000,000/- (Pak Rupees Three Billion) inclusive of a green shoe option of up to PKR 1,000,000,000 (Pak Rupees One Billion) in the form of listed, rated, unsecured Sukuk Certificates (issued in scrip less form), which shall comprise of a private placement to the Pre-IPO Investors and a public offer of at least PKR 300,000,000/- (Pak Rupees Three Hundred Million) to the Retail Investors pursuant to the provisions of Section 66 of the Companies Act, 2017;

"Sukuk Issuance Agreement" means the sukuk issuance agreement dated on or about the date hereof, executed between the Investment Agent and the Managing Partner;



"Sukuk Subscription and Issue Agency Agreement(s)" means the sukuk subscription and issue agency agreement(s) dated on or about the date hereof, executed between the Managing Partner, the Issue Agent and the Pre-IPO Investors;

"Transaction Documents" means the documents entered into / to be entered into in respect of the Sukuk Issue being:

- (i) one or more Sukuk Subscription and Issue Agency Agreement(s);
- (ii) the Sukuk Issuance Agreement;
- (iii) this Agreement; and
- (iv) the Application Form(s);

"Transaction Legal Counsel" means Mohsin Tayebaly & Co. | Corporate Legal Consultants | Barristers and Advocates; and

"Unsecured" means no additional security is being obtained. However, the Investors have a right over the Musharaka pool of the Designated Business upto their investment ratio.

2.2 Interpretation

2.2.1 In this Agreement:

- (i) clause headings are inserted for convenience of reference only and shall be ignored in the interpretation of this Agreement;
- (ii) unless the context otherwise requires, references to Clauses and Annexures are to be construed as references to the clauses of and annexures to this Agreement and references to this Agreement include its annexures;
- (iii) words importing the plural shall include the singular and vice versa; and
- (iv) references to a person shall be construed as including references to an individual, firm, bank, corporation, unincorporated bodies of persons or any state or any agency thereof.

2.2.2 The Partners recognize and acknowledge that this Agreement and the transaction contemplated hereby is being entered into in a manner compliant with the principles of Shariah and undertake to perform their respective obligations under this Agreement accordingly.

3. MUSHARAKA

3.1 Musharaka

3.1.1 Subject to the terms and conditions of this Agreement, the Partners hereby agree to enter into a Musharaka and to contribute their respective investments towards the Musharaka Investment.

3.1.2 The Issue Agent's Investment in the Designated Business will be up to PKR 3,000,000,000/- (Pak Rupees Three Billion) inclusive of a green shoe option of up to PKR 1,000,000,000 (Pak Rupees One Billion) for and on behalf of the Investors.

3.1.3 The Managing Partner's Investment in the Designated Business will be determined at the Musharaka End Date or upon the occurrence of an Event of Default & Termination (whichever is earlier).



- 3.1.4 Furthermore, the Musharaka Investment will be calculated at the Musharaka End Date or upon occurrence of an Event of Default & Termination (whichever is earlier).
- 3.1.5 The purpose of the Musharaka will be to utilize the Musharaka Investment in the manner provided in Clause 3.1.9 below and to generate profits, which are to be shared in accordance with the Profit-Sharing Mechanism.
- 3.1.6 The Issue Agent shall monitor the utilization of the Issue Agent's Investment and periodically monitor the Designated Business (as and when required) by reviewing its financial performance based on the financial details and numbers (pertaining to the Designated Business) shared by the Managing Partner with the Issue Agent. The Managing Partner shall provide all the details and calculations of the Issue Agent's and Managing Partner's respective Musharaka Profit or Musharaka Loss in the Musharaka according to the format provided in Schedule 3. The Managing Partner will be responsible for promptly providing all material information to the Issue Agent relating to any change in its financial performance and position as per the terms of this Agreement. It is understood that the overall performance and management of the Designated Business shall be the responsibility of the Managing Partner.
- 3.1.7 The Musharaka will commence on the Musharaka Commencement Date and will end on the Musharaka End Date or upon the occurrence of an Event of Default & Termination (whichever is earlier).
- 3.1.8 The Managing Partner and the Issue Agent irrevocably acknowledge and agree that, subject to the terms of the Transaction Documents:
- (i) If the Managing Partner decides, in its sole discretion, to obtain further funding or finance and make additional capital contributions in respect of the Designated Business then in such case the Managing Partner shall be solely responsible for such funding, finance or contribution and the Issue Agent shall have no liability or responsibility for the same.
 - (ii) the Issue Agent's obligation and liability under this Agreement shall at all times be limited to the contribution of the Issue Agent's Investment. Under no circumstances shall the Managing Partner be entitled to request, nor shall the Issue Agent be required to contribute, any amount in excess of the Issue Agent's Investment.
- 3.1.9 During the Musharaka, the Musharaka Investment shall be used in a manner compliant with the principles of Shariah as interpreted by the Shariah Advisors and shall not be used or diverted for any other purpose except for the business operations of the Managing Partner or any other purpose permitted under the Memorandum of the Managing Partner in the Designated Business.
- 3.1.10 It is clarified that during the Musharaka, the legal title to the Designated Business shall remain with the Managing Partner and the beneficial ownership and associated risk and rewards in the Designated Business shall vest with the Issue Agent up to extent of the Issue Agent's Investment.
- 3.1.11 The total initial Musharaka Investment shall be made as per the Musharaka pool which shall approximately be PKR 72,001,634,877/- (Pak Rupees Seventy Two Billion One Million Six Hundred Thirty Four Thousand Eight Hundred Seventy Seven) which comprises of (i) Distribution Network Assets of PKR 4,490,265,007/- (Pak Rupees Four Billion Four Hundred Ninety Million Two Hundred Sixty Five Thousand Seven); (ii) average receivables of PKR 64,511,369,870/- (Pak Rupees Sixty Four Billion Five Hundred Eleven Million Three Hundred Sixty Nine Thousand Eight Hundred Seventy) based on the latest available unaudited numbers for the 12 (twelve) months period ending October 2024; and (iii) the Issue Agent's Investment which shall be up to PKR 3,000,000,000 (Pak Rupees Three Billion) inclusive of a green shoe option of up to PKR 1,000,000,000 (Pak Rupees One Billion). The Issue Agent (on behalf of the Investors) will contribute in the Musharaka as mentioned above, whereas the Managing Partner will contribute



through the Distribution Network Assets and average receivables of the Integrated Business Centres.

The initial investment ratio for the Issue Agent (on behalf of the Investors) and Managing Partner will be 4.17% (amounting to PKR 3,000,000,000/- (Pak Rupees Three Billion)) and 95.83% (amounting to PKR 69,001,634,877/- (Pak Rupees Sixty Nine One Million Six Hundred Thirty Four Thousand Eight Hundred Seventy Seven)) respectively. The Partners hereby agree and acknowledge that in case of any reduction in the total initial Musharaka Investment as a result of reduction in the contribution to the same by the Managing Partner during the tenor of the Musharaka, the Managing Partner shall provide additional contributions into the Musharaka Investment so as to reinstate the initial investment ratios of the Partners stated above.

4. MUSHARAKA INVESTMENT

4.1 Musharaka Investment

4.1.1 With respect to the Pre-IPO Placement and the Pre-IPO Investors, the Issue Agent / Pre-IPO Investors (as applicable) shall contribute the corresponding portion of the Issue Agent's Investment within 1 (one) Business Day from the receipt of the Musharaka Contribution Request, subject to the terms of and upon reliance of the representations and warranties set forth in this Agreement and disburse the same to the Managing Partner, subject to (i) receipt of funds from the Pre-IPO Investors (where disbursement is made through the Issue Agent), (ii) no Event of Default & Termination having occurred or subsisting and (iii) receipt of Musharaka Contribution Request by the Managing Partner, in accordance with Clause 4.1.2 below. Furthermore, the Managing Partner will provide the Profit-Sharing Mechanism in terms of the Musharaka Contribution Request and if acceptable to the Issue Agent, the Issue Agent / Pre-IPO Investors (as applicable) shall make payment of the Issue Agent's Investment up to the amount of the Pre-IPO Placement.

With respect to the Public Offering and the Retail Investors, the Issue Agent's Investment shall be contributed by the Issue Agent / Retail Investors in a manner mutually agreed upon between the Managing Partner and the Issue Agent and subject to the terms of and upon reliance of the representations and warranties set forth in this Agreement and the following:

- (i) no Event of Default & Termination having occurred or subsisting;
- (ii) the currency of such contribution being Pak Rupees;
- (iii) the contribution is made within the public subscription period of the Public Offering; and
- (iv) the amount contributed is not more than the Public Offering portion of the Issue Agent's Investment.

4.1.2 With respect to the Pre-IPO Placement and the Pre-IPO Investors, the Managing Partner must deliver the Musharaka Contribution Request to the Issue Agent not later than 11:00 a.m. on a Business Day, and at least 1 (one) Business Day prior to the date on which the Managing Partner requires disbursement of the Pre-IPO Placement portion of the Issue Agent's Investment. Each Musharaka Contribution Request shall be irrevocable and shall not be regarded as having been duly completed unless:

- (i) the Musharaka Contribution Request is made within the Availability Period;
- (ii) the amount requested pursuant to the Musharaka Contribution Request is not more than the Pre-IPO Placement portion of the Issue Agent's Investment;
- (iii) the currency requested is Pak Rupees; and



- (iv) all conditions precedent as stated in Clause 5.1.1 below have been fulfilled by the Managing Partner to the Issue Agent's satisfaction (or duly deferred or waived by the Issue Agent) prior to the issuance of the Musharaka Contribution Request.

5. CONDITIONS PRECEDENT

5.1 Conditions Precedent

5.1.1 With respect to the Pre-IPO Placement and the Pre-IPO Investors, the Managing Partner shall be entitled to request payment of the corresponding portion of the Issue Agent's investment in terms of this Agreement only if the Managing Partner has provided evidence as to the following to the Issue Agent (unless waived or postponed/deferred):

- (i) that the Managing Partner has the necessary power to enter into this Agreement and the relevant Transaction Documents, and that the execution and delivery of this Agreement and the relevant Transaction Documents by the Managing Partner and issuing the Sukuk Certificates is duly authorized by a resolution of the Board of Directors of the Managing Partner, whether passed by way of circulation or through a meeting, and a certified true copy of the same has been provided to the Issue Agent;
- (ii) that the signatories of this Agreement and the relevant Transaction Documents on behalf of the Managing Partner are duly empowered to sign this Agreement and the relevant Transaction Documents to enter into on behalf of the Managing Partner and to bind the Managing Partner into the covenants and undertakings herein contained or which may arise as a consequence of the entering into this Agreement and the relevant Transaction Documents by the Managing Partner;
- (iii) completion and fulfilment of all the legal formalities for the documentation and the Sukuk Issue by the Managing Partner and the Issue Agent, except for the completion and fulfilment of the legal formalities of the SECP and the Stock Exchange in respect of the Public Offering;
- (iv) compliance with all legal requirements and regulations, including but not limited to compliance with the Shariah Governance Regulations and the guidelines, and all actions / consents including corporate actions for the Sukuk Issue except for any applicable compliances, actions and consents required in respect of the Public Offering;
- (v) this Agreement is valid, binding and enforceable against the Partners in terms hereof;
- (vi) that the Managing Partner has obtained all material consents, waivers, approvals, authorizations and applicable permissions required for issuing the Sukuk Issue including, but not limited to, compliance with all applicable regulations of the SECP, Stock Exchange and the SBP except for any consents, waivers, approvals, authorizations, applicable permissions required in respect of the Public Offering and except for any compliances required in respect of the Public Offering;
- (vii) that the Managing Partner has paid all costs, charges, fees and expenses due in terms of the Agreement and the Transaction Documents;
- (viii) the Managing Partner has issued an undertaking that nothing herein contained or in the Transaction Documents conflicts with any of the provisions of the Memorandum and Articles;
- (ix) the Managing Partner has taken all necessary steps and executed / procured the execution of all documentation pertaining to the Sukuk Issue or any other agreement between the Partners except as required and applicable in relation to the Public Offering;
- (x) the Managing Partner has obtained a minimum credit rating of "A1+" (short term) and "AA" (long term) by PACRA for the Sukuk Issue;



- (xi) the Managing Partner has obtained a long-term entity credit rating of "AA" (Long term) and a short-term entity credit rating of "A1+" (Short term) from PACRA;
 - (xii) the Managing Partner has issued an undertaking that there is no Event of Default & Termination as on the date thereof and that the Managing Partner is not in breach of any representation, warranty or covenant under this Agreement as on the date thereof;
 - (xiii) that the Managing Partner has a clear eCIB Report (Electronic Credit Information Bureau report of the SBP), evidenced by a current eCIB Report procured by the relevant Investor from the SBP and which report is not more than 2 (two) months old;
 - (xiv) the Managing Partner is in compliance with the provisions of:
 - (a) all applicable laws, rules, regulations and guidelines with respect to the Sukuk Issue (except as required and applicable in relation to the Public Offering), including guidelines set out by the Shariah Advisors, including but not limited to Section 66 of the Companies Act, 2017, the SDS Regulations, the Public Offering Regulations, the Shariah Governance Regulations, the DSL Regulations, the Private Placement Rules and the Securities Act, 2015; and
 - (b) all other applicable laws, rules, regulations and guidelines;
 - (xv) the Managing Partner has provided copies of the following:
 - (a) SECP Certified Memorandum and Articles;
 - (b) SECP Certified Certificate of Incorporation;
 - (c) SECP Certified Form 29 / Form 9 (as applicable) and latest Form A;
 - (d) Company Secretary certified CNIC copies of all directors;
 - (e) Company Secretary certified list of authorized signatories along with their specimen signatures;
 - (f) Company Secretary certified list of directors; and
 - (g) Undertaking for Appropriate Utilization of Funds;
 - (xvi) a legal opinion has been issued by the Transaction Legal Counsel confirming, *inter alia*, the validity, enforceability and binding effect of the obligations of the Managing Partner under the relevant Transaction Documents;
 - (xvii) the Managing Partner has provided to the Issue Agent the Shariah Advisors' certificate(s) / pronouncement(s) for the purposes of the Sukuk Issue; and
 - (xviii) certification of completion, compliance and fulfilment of all the legal formalities/ requirements including compliance with all applicable regulations, corporate actions/ consents required for the documentation of the Sukuk Issue by the Managing Partner except as required and applicable in relation to the Public Offering.
- 5.1.2 With respect to the Public Offering to the Retail Investors, it is hereby agreed between the Partners that the Managing Partner shall be entitled to request payment of the corresponding portion of the Issue Agent's Investment in terms of this Agreement only if the Managing Partner has completed and fulfilled the legal formalities of the SECP and the Stock Exchange in respect of the



Public Offering including having obtained the approval of the SECP for issuance and publication of the Prospectus.

5.1.3 Additionally, the Managing Partner shall only be entitled to request the Issue Agent's Investment in terms of this Agreement if the Issue Agent has received such other ancillary documents as it reasonably requests in respect of the Sukuk Issue.

5.1.4 The conditions specified in Clauses 5.1.1 above may be waived or postponed by the Issue Agent (acting on the instructions of all the Pre-IPO Investors), in whole or in part and with or without conditions. Where a waiver or postponement is allowed under this Clause 5.1.4, the Managing Partner shall comply with the terms on which the waiver or postponement is granted, and the Managing Partner shall be in breach of the provisions of this Agreement if it fails to satisfy by the postponement date, the conditions precedent for which postponement was granted or satisfy the conditions on which a waiver was granted.

6. GOOD FAITH

6.1 The Partners agree to do all things necessary and to execute all further documents necessary and appropriate to carry out and effectuate the terms and purposes of this Agreement.

7. MANAGEMENT OF THE MUSHARAKA AND STANDARD OF CARE

7.1 Management of the Musharaka

7.1.1 During the Musharaka, the Managing Partner shall manage the Designated Business for the benefit of the Partners in accordance with this Agreement. Without prejudice to the generality of the aforesaid, the Managing Partner shall carry out the following:

- (a) all activities required for carrying on the Designated Business in the ordinary course of business;
- (b) maintain all assets, properties and other facilities necessary or desirable for the Designated Business;
- (c) developing and expanding the Designated Business;
- (d) payment of all undisputed taxes (if any) charged, levied or claimed in respect of the Musharaka or the Designated Business by any relevant taxing authority and file all relevant tax returns in a timely manner;
- (e) obtain all necessary authorizations and licenses in connection with the Musharaka Investment, the Designated Business and the transaction contemplated by this Agreement; and
- (f) maintain adequate and accurate accounts in connection with the Designated Business and Musharaka Investment.

7.2. Standard of Care

7.2.1 The Managing Partner shall manage the Designated Business and Musharaka Investment:

- (a) in accordance with all applicable laws and regulations;
- (b) with the degree of skill and care that it would exercise in respect of its own assets (that are not part of the Designated Business); and



(c) in a manner that is not repugnant to the concept of Shariah.

8. SHARING OF MUSHARAKA PROFIT AND MUSHARAKA LOSS

8.1 Sharing of Musharaka Profit

8.1.1 The Partners agree that Musharaka Profits generated from the Designated Business shall be shared on a provisional basis between the Managing Partner and the Issue Agent (on behalf of the Investors) in accordance with the Profit-Sharing Mechanism during the Profit Period as specified in Schedule 1 which shall be given by the Issue Agent. The profit and loss statement will be provided by the Managing Partner for the Profit Period for the purposes of ascertaining the Musharaka Profit or Musharaka Loss (as the case may be) during the Profit Period / Loss Period (as the case may be).

8.1.2 It is hereby agreed that the Managing Partner shall also be obligated to pay the Provisional Profit Payments (whether by direct payment through the Customary Method or by adjustment through the Adjustment Method) on a monthly basis from the Issue Date (unless the Musharaka is terminated earlier on the occurrence of Event of Default & Termination, in which case, it shall be paid (through the Customary Method) on the date of termination (whichever is earlier)), which shall be adjusted against the Musharaka Profit for the Profit Period in accordance with Clause 8.1.3 below.

8.1.3 Upon finalization of the profit and loss statement as illustrated in Schedule 3 for the Profit Period, which shall be done within 30 (thirty) Business Days of the end of the Musharaka End Date or occurrence of Event of Default & Termination (whichever is earlier), the Managing Partner will calculate the Musharaka Profit or Musharaka Loss amounts for the Profit Period / Loss Period (as the case may be). This Musharaka Profit amount will be used to arrive at the Issue Agent's share of the Musharaka Profit (which shall also take into account the Provisional Profit Payments amount made). Upon finalization of the profit and loss statement as illustrated in Schedule 3 for the Profit Period, and subject to the profit sharing mechanism contained in Schedule 1, in case Musharaka Profit is more than the amount of the Provisional Profit Payments, the Managing Partner will deposit the incremental amount in the designated account and the Issue Agent shall make payment of the same amount to the Investors proportionately as per their respective contribution towards the Musharaka Investment or in the event that the Musharaka Profit is less than the amount of the Provisional Profit Payments, the Investors will return the differential amount within 30 (thirty) Business Days of the finalization of the profit and loss statement.

8.2 Sharing of Musharaka Loss

8.2.1 In case the profit and loss statements provided in Schedule 3 as mentioned in Clauses 8.1.1 and 8.1.2 above show an Musharaka Loss, such Musharaka Loss shall be shared by the Partners on a pro-rata basis in proportion to their respective investment in the Musharaka Investment. Upon finalization of the profit and loss statement as illustrated in Schedule 3 for the Profit Period, Investors/Issue Agent will return the amount of the Provisional Profit Payments along with the proportionate loss in the Musharaka Investment as mentioned in Clause 8.2.2.

8.2.2 The Musharaka Loss distribution as envisaged in Clause 8.2.1 will however be subject to the following provisions:

- (a) the Issue Agent shall not be liable for any Musharaka Loss in excess of its liability/investment percentage under this Agreement and shall always be limited to the Issue Agent's Investment; and
- (b) the Managing Partner undertakes not to do anything, or omit to do anything, whether as manager of the Designated Business or otherwise, which would increase the Issue Agent's



liability under this Agreement or expose the Issue Agent to Musharaka Loss in excess of the Issue Agent's Investment.

- (c) In case of loss as mentioned in Clause 8.2.1 above is due to wilful negligence or misrepresentation of the Managing Partner, the Issue Agent shall not be responsible for such loss and the Managing Partner shall bear all actual losses in such cases.
- (d) In case of a loss the Managing Partner shall, if so, requested by Issue Agent in writing within 8 (eight) weeks of the Managing Partner's announcement of such loss, provide an explanation, of such loss to the Issue Agent. In the event that the Issue Agent is not satisfied with the explanation, it shall be entitled to refer the matter to a joint committee consisting of mutually selected Shariah Advisors, finance and legal team of both the Partners (the "Joint Committee") as advised and formed by the Issue Agent with 7 (seven) days of receipt of the explanation from the Managing Partner. The Joint Committee shall decide the referred matter within 15 (fifteen) days of the referral. The decision of the Joint Committee with respect to the referred matter shall be final and binding on the Partners and shall not be challenged in any manner whatsoever. In the event that the matter is not referred to the Joint Committee, the Investors will return the amount of the Provisional Profit Payments along with the proportionate loss in the Musharaka Investment within 30 (thirty) Business Days of the end of the relevant month of the Musharaka End Date or occurrence of Event of Default & Termination (whichever occurs earlier).
- e) In case of insurance/takaful proceeds received by the Managing Partner on behalf of the Issue Agent as a result of inventory loss/damage, up to the extent of the Issue Agent's Investment in the Musharaka Investment, the method and quantum of disbursement of such proceeds to the Issue Agent shall be advised by the Shariah Advisors of the Sukuk Issue.

9. DISSOLUTION AND REDEMPTION ON MUSHARAKA END DATE

9.1 Dissolution on Musharaka End Date

- 9.1.1 On the day following the Musharaka End Date, the Musharaka shall be wound up in the manner agreed between the Partners.

9.2 Redemption on Musharaka End Date

- 9.2.1 In consideration of the Issue Agent having entered into this Agreement, the Managing Partner hereby irrevocably agrees and undertakes that it shall buy out the Issue Agent's Investment at the outstanding principal value subject to the adjustment of profit/loss (if any) from the Issue Agent on the Musharaka End Date. Upon finalization of the profit and loss statement as illustrated in Schedule 3 for the Profit Period, in case of loss the Investors/Issue Agent will return the amount of the Provisional Profit Payments along with the proportionate loss in the Musharaka Investment to the Managing Partner as mentioned in Clause 8.2.1.

9.3 Redemption on Occurrence of Event of Default & Termination

- 9.3.1 The Managing Partner further undertakes that if the Issue Agent (on behalf of the Investors) desires to terminate the Musharaka and this Agreement upon the occurrence of an Event of Default & Termination, the Managing Partner shall immediately redeem the remaining Issue Agent's Investment along with the amount of Provisional Profit till such date upon receipt of a notice in writing from the Issue Agent. The Musharaka will stand terminated upon the issuance of a notice to such effect by the Issue Agent. The profit and loss statement as illustrated in Schedule 3 shall be provided within 30 (thirty) Business Days of the end of the relevant month of the Musharaka End Date. The Managing Partner will calculate the Musharaka Profit or Musharaka



Loss amounts for the period up till the date of termination for the Musharaka. This Musharaka Profit amount will be used to arrive at the Issue Agent's share of Musharaka Profit (which shall also take into account the Provisional Profit Payments amount made, if any). In case of failure on the Managing Partner's part to immediately or within the period stipulated by the Issue Agent (in the notice) make payment of the Issue Agent's Investment, the Managing Partner undertakes to pay an amount, if the Issue Agent is of the opinion that the delay is without a valid reason which the Issue Agent shall inform through a notice as charity to the Issue Agent calculated at 12% (twelve percent) per annum of any amounts demanded hereunder which remains unpaid for 10 (ten) days after demand thereof or the date stipulated in the notice, as applicable. The charity due and recovered from the Managing Partner shall be donated by the Issue Agent on behalf of Managing Partner in accordance with the guidelines of the Shariah Advisors.

10. THE MANAGING PARTNER'S REPRESENTATIONS, WARRANTIES AND COVENANTS

10.1 The Managing Partner's Representations and Warranties

10.1.1 The Managing Partner makes the representations and warranties to the Issue Agent as set out in this Clause 10 which are deemed to be made by the Managing Partner by reference to the facts and circumstances existing on the date of this Agreement and are deemed to be made on the Musharaka Commencement Date and on each date that a Musharaka Contribution Request (in form and substance acceptable to the Issue Agent) is received by the Issue Agent and on each date of the subscription period of the Public Offering during which contributions are received from the Retail Investors:

- (i) that it is a company incorporated and existing under the laws of Pakistan and is not in liquidation (nor it is threatened with liquidation);
- (ii) that it is duly authorized by its Memorandum and Articles to raise "finances" (as defined under the Financial Institutions (Recovery of Finances) Ordinance, 2001);
- (iii) that all conditions and things required by applicable law to be fulfilled or done in order to enable it to lawfully to enter into, and exercise its rights and perform its obligations under this Agreement have been fulfilled or done;
- (iv) that no potential Event of Default & Termination or any Event of Default & Termination has occurred as of the date of this Agreement;
- (v) that this Agreement constitutes its valid and legally binding obligations, enforceable against it in accordance with its terms;
- (vi) that it has obtained all necessary corporate and regulatory approvals for the purposes of the Sukuk Issue except in relation to the Public Offering until time such approvals are in place;
- (vii) that its Balance Sheet and Profit and Loss Account as at June 30, 2023 has been prepared in accordance with the applicable law and generally accepted accounting principles consistently applied and give a true and fair view of its financial condition as of that date and that there has been no change since that date having a Material Adverse Effect on it;
- (viii) that to the knowledge of the Managing Partner, neither the execution of, nor exercise of its rights or performance of its obligations under this Agreement does or will:
 - (a) contravene any applicable law or any order, judgment or direction of any court or tribunal to which the Managing Partner or any of its properties and businesses are subject;



- (b) contravene any contract, undertaking or instrument binding on the Managing Partner or any of its properties;
 - (c) contravene any provision of the Managing Partner's Memorandum or Articles;
 - (d) require the Managing Partner to make any payment or delivery in respect of any Financial Indebtedness before the scheduled date of that payment or delivery; or
 - (e) cause any limitation on the power of the Managing Partner to incur Financial Indebtedness to be exceeded;
- (ix) that, save as otherwise disclosed, no litigation, arbitration or administrative proceedings to which the Managing Partner is a party are taking place, pending or, to the knowledge of the Managing Partner, threatened against the Managing Partner or any of its properties which have or are reasonably likely to have a Material Adverse Effect and which, in the reasonable opinion of the Managing Partner, is likely to be adversely determined;
 - (x) that it has all licenses, consents, approvals, registrations and authorizations (to the extent required) necessary for carrying out its business and fulfilling its obligations under the Transaction Documents except in relation to the Public Offering until time such approvals are in place;
 - (xi) that all governmental, regulatory, creditors' and corporate consents, approvals, registrations and authorizations (to the extent required) for the purposes of the Sukuk Issue are in place except in relation to the Public Offering until time such approvals are in place;
 - (xii) that all information furnished by the Managing Partner to the Issue Agent is accurate and that it has not omitted or concealed any material facts which would render such information incorrect, misleading or inaccurate;
 - (xiii) that the Managing Partner has disclosed to the Issue Agent / Investors in writing all existing liabilities and commitments and all other matters which could have a Material Adverse Effect on it;
 - (xiv) that it has a clear eCIB Report (Electronic Credit Information Bureau report of the SBP), evidenced by a current eCIB Report, which report is not more than 2 (two) months old at the time of this Agreement;
 - (xv) that there is no reason to the knowledge of the Managing Partner whereby the application of the Managing Partner for listing of the Sukuk Certificates and/or the application of the Managing Partner for approval of the Prospectus may be rejected by the SECP or the Stock Exchange, as the case may be; and
 - (xvi) that it has reviewed and acknowledged (in writing) the Shariah structure duly approved by the Shariah Advisors for the Sukuk Issue.

10.2 The Managing Partner's Covenants

10.2.1 The Managing Partner undertakes and covenants that it shall:

- (i) use the Musharaka Investment only for the agreed purpose in a manner compliant with the principles of Islamic Shariah as interpreted by the Shariah Advisors and shall not use or divert the same for any other purpose except for the Purpose;
- (ii) ensure compliance with all applicable laws, rules, regulations and guidelines including, but not limited to, the Public Offering Regulations and the Rule Book (as and when



applicable), the SDS Regulations and the Shariah Governance Regulations in all material aspects, issued by all applicable authorities including but not limited to SBP and SECP, unless any waivers have been obtained by the Managing Partner from the applicable authorities for any such compliances.

It being clarified that the Managing Partner's obligation to comply with the Prudential Regulations, Prudential Regulations for NBFCs, the NBFC Rules and the NBFC Regulations, shall be in accordance with and subject to Clause 6.3 of the Sukuk Issuance Agreement;

- (iii) provide the Issue Agent, on request, and in any event within 7 (seven) Business Days of request, with any information relating to its financial condition, business, assets and affairs as the Issue Agent may reasonably request;
- (iv) maintain the contract with its credit rating agency throughout the tenor of the Musharaka / Sukuk Issue;
- (v) intimate in writing to the Issue Agent, of a change to its majority shareholding, except for the sale/transfer by KES Power Limited of all of its 66.4% shareholding in the Managing Partner to Shanghai Electric Power Company Limited, or one of its wholly owned subsidiaries as communicated earlier vide K-Electric Limited letter PR/N/11 dated October 31, 2016.
- (vi) ensure that an external Shariah auditor is appointed to ensure the Shariah compliance of the Sukuk Issue in accordance with the requirements prescribed under the Shariah Governance Regulations;
- (vii) prior to the commencement of the Public Offering, place on its website (in downloadable form) the Shariah pronouncement(s) / certificate(s) issued by the Shariah Advisors for the Sukuk Issue and a specimen of the Sukuk Issuance Agreement, this Agreement and the Sukuk Subscription and Issue Agency Agreement containing the minimum terms and conditions thereof or alternatively, furnish a copy of the same to the Investors in physical or electronic form;
- (viii) keep proper records and books of account, and in the event of an Event of Default & Termination, permit the Issue Agent or their respective employees, agents or representatives to examine and take copies of those records and books of account and all other documents relating to its activities;
- (ix) submit to the Issue Agent and the Certificate Holders, the annual audited accounts of the Managing Partner within 120 (one hundred twenty) days of the financial year end of the Managing Partner and the half-yearly/ quarterly un-audited accounts/management accounts within 60 (sixty) days of the half-year end and the quarter-end respectively.

Provided that in respect of the Managing Partner's annual audited accounts for the financial year ended June 30, 2024 and the applicable quarterly account(s) for Financial Year 2025, the Managing Partner shall submit the same to the Issue Agent within 4 (four) months of the final notification of the complete and undisputed multi-year tariff (for generation, transmission, distribution and supply) from the National Electric Power Regulatory Authority (NEPRA);

- (x) pay or keep paid up all undisputed fees, taxes, dues, rents, rates and charges of any governmental or municipal authority or other competent authority;
- (xi) ordinary wear and tear excepted, maintain the buildings, sites, works, constructions, plants, equipment, facilities and other assets of the Managing Partner in a good state of



repair and in good working order and condition and take all precautions against such risks including fire, arson, riots, earthquakes, and acts of terrorism;

- (xii) give the Issue Agent prompt notice of any litigation, arbitration or administrative proceedings to which it is a party which, in the reasonable opinion of the Managing Partner, if adversely determined, could have either separately or in aggregate a Material Adverse Effect on it;
- (xiii) duly perform and observe the obligations in terms of this Agreement;
- (xiv) execute all documents and do all acts and things as are stated in this Agreement;
- (xv) make prompt payment of all amounts due to the Issue Agent under this Agreement and the Transaction Documents;
- (xvi) conduct and manage its business and affairs with diligence and efficiency in accordance with sound financial and business practices as are prevailing in the similar industry in Pakistan and with the assistance of qualified personnel;
- (xvii) maintain its existence and right to carry on business and take all steps necessary to maintain and renew its lease / hire agreements, other contracts, rights, powers, privileges, concessions, licences and franchises (as applicable) which are necessary or materially useful for the conduct of its business and maintain its books of accounts and other records adequately to reflect truly and fairly its financial position and the results of its respective operations in conformity with generally accepted accounting principles consistently applied;
- (xviii) maintain its long-term entity rating of "AA" (Double A) and short-term entity rating of "A1+" (A One Plus) from PACRA;
- (xix) maintain the Sukuk Issue rating of "AA" (Double A) (long term) / "A1+" (A One Plus) (short term) issued by PACRA;
- (xx) immediately inform the Issue Agent if, to the knowledge of the Managing Partner, there is any event having a Material Adverse Effect on it and to take all steps to rectify such Material Adverse Effect;
- (xxi) as soon as practicable, inform the Issue Agent of the occurrence of any Event of Default & Termination and/or Potential Event of Default & Termination;
- (xxii) enter into supplementary agreements with the Issue Agent (which shall be deemed to be part of this Agreement) if at any time pursuant to the Government/SBP directives any term or condition of this Agreement is required to be altered, provided that entering into such supplementary agreement does not have or potentially have a Material Adverse Effect on it;
- (xxiii) ensure to maintain Distribution Network Assets having worth of at least 33% (thirty three percent) of the Issue Agent's Investment. The Managing Partner shall be bound to intimate to the Issue Agent if the Distribution Network Assets at any period of time during the Musharaka, reduces below 33% (thirty three percent) of the value of the Issue Agent's Investment, with such intimation to be provided by the Managing Partner at least 3 (three) Business Days from the date of such shortfall;
- (xxiv) If required by the Shairah Advisors, arrange a visit to verify and confirm the Distribution Network Assets;



- (xxv) obtain the final notification of the separate multi-year tariffs (for generation, transmission, distribution and supply) from the National Electric Power Regulatory Authority (NEPRA) and provide certified true copies of the same to the Issue Agent along with a confirmation that there has been no Material Adverse Effect from the existing determined tariffs;
 - (xxvi) provide the necessary details required for the calculation of the Musharaka Profit / Musharaka Loss (as applicable) to the Issue Agent (as and when requested), including, but not limited to, details about units billed and business revenue from the Integrated Business Centres derived from the distribution of electricity as well as direct costs pertaining to the generation of electricity and use of system charges stemming from the transmission network; and
 - (xxvii) prior to the commencement of the Public Offering, complete and fulfil the legal formalities of the SECP and the Stock Exchange in respect of the Public Offering including obtaining the approval of the SECP for issuance and publication of the Prospectus.
- 10.2.2 The Managing Partner undertakes and covenants that it shall not except with the prior written consent of the Issue Agent and such consent shall not be unreasonably withheld:
- (i) enter into any transaction with any other person, firm or company except on the basis of "arms-length" arrangements;
 - (ii) sell, transfer, lease out or otherwise dispose of a substantial part of its undertaking or assets, or undertake or permit any merger, consolidation, dismantling or re-organization of the Managing Partner or make any acquisition of any other company, except for the sale/transfer by KES Power Limited of all of its 66.4% shareholding in the Managing Partner to Shanghai Electric Power Company Limited, or one of its wholly owned subsidiaries as communicated earlier vide the Managing Partner's letter PR/N/11 dated October 31, 2016;
 - (iii) change its Memorandum or Articles (including the principal line of business) in a manner that materially and adversely effects its ability to perform its obligations under this Agreement, or change the nature of its business as stated in its Memorandum;
 - (iv) declare any dividend if, to the knowledge of the Managing Partner, there is, or if the declaration and payment of such dividend will result in, a violation of any of the financial covenants required under the Prudential Regulations issued by SBP; or
 - (v) take any action which may have a Material Adverse Effect on it.
- 10.2.3 The Managing Partner's covenants and undertakings contained under Clause 10.1 and Clause 10.2 shall remain in force from the date of this Agreement for so long as this Agreement is in force.

11. EVENTS OF DEFAULT & TERMINATION

11.1 Events of Default & Termination

11.1.1 Each of the following events constitutes an Event of Default & Termination:

- (i) default of the Managing Partner in paying on the due date for payment, or within any period stipulated herein or within any period stipulated in the demand/notice of the Issue Agent, of any sum payable under this Agreement and/or the Transaction Documents;
- (ii) the Managing Partner does not comply with its undertakings, representation, warranties or covenants, or any other provision of this Agreement / Transaction Documents and such



non-compliance continues for 10 (ten) Business Days after the receipt by the Managing Partner of a written notice from the Issue Agent, notifying the Managing Partner of its non-compliance with the provisions of this Agreement;

- (iii) a representation, warranty or statement made or repeated in or in connection with this Agreement or in any document delivered by or on behalf of the Managing Partner under or in connection with the Musharaka is or proves to have been incorrect or misleading in any material respect or any statement, representation or warranty made or repeated by the Managing Partner in any notice, certificate or statement referred to or delivered under this Agreement, is or proves to have been incorrect or misleading in any respect or any such statement, representation or warranty is incorrect in any respect at any time and such defect is not rectified within 10 (ten) Business Days after the written notice is received by the Managing Partner from the Issue Agent;
- (iv) liquidation, bankruptcy, cessation of business activities or cessation of the payment of debts of the Managing Partner, or any other legal or factual situation, including judicial or amicable settlement of debts, which may have a Material Adverse Effect in the reasonable opinion of the Issue Agent;
- (v) any delinquent payment(s) of any amounts that become due by the Managing Partner towards various parties and the Managing Partner's failure to comply with its covenants under the instruments to which it is party which in the reasonable opinion of the Issue Agent has an impact on the Managing Partner's ability to perform or comply with the various terms and conditions contemplated in this Agreement;
- (vi) attachment or assignment or transfer of delivery to or takeover of any properties or assets of the Managing Partner by any receiver, encumbrancer, assignee, or any other person or body whether appointed by the Managing Partner or a Court or the government under any law or regulation;
- (vii) making of any order or passing of a resolution for the winding up of the Managing Partner;
- (viii) except as stipulated under this Agreement, the Managing Partner consolidates, merges, amalgamates or undertakes or permits any merger, amalgamation, consolidation, dismantling or re organisation of the Managing Partner or makes any acquisition of any other company without the prior consent of the Issue Agent;
- (ix) one or more judgments, decrees or orders for the payment of money rendered against the Managing Partner which is likely to have a Material Adverse Effect on it in the reasonable opinion of the Issue Agent, and such judgments, decrees or order shall continue unsatisfied and in effect for a period of 10 (ten) consecutive days without being vacated, discharged, satisfied or stayed;
- (x) the taking of any step by the Managing Partner for the purpose of entering into a compromise or arrangement with any of its members / shareholders, or creditors, generally or any class of them whereby the interests of the Issue Agent are affected in any material manner;
- (xi) the occurrence of any event whatsoever which is likely to have a Material Adverse Effect on the Managing Partner in the reasonable opinion of the Issue Agent;
- (xii) termination, suspension, repudiation or revocation of this Agreement or any of the Transaction Documents;
- (xiii) cross default by the Managing Partner in respect of any other Financial Indebtedness;



- (xiv) if the Managing Partner claims that all or any material provision of this Agreement and/or the Transaction Documents:
 - (a) do not have effect or cease to have effect in accordance with its terms; or
 - (b) are or become void, voidable, illegal or unenforceable;
- (xv) if all or any material part of the properties of the Managing Partner is compulsorily acquired or expropriated by the federal government or any provincial governments;
- (xvi) any litigation proceedings being commenced against the Managing Partner which may have a Material Adverse Effect in the reasonable opinion of the Issue Agent, which has not been vacated, discharged, satisfied or stayed within a period of 15 (fifteen) days;
- (xvii) any change in shareholding of the Managing Partner that has a Material Adverse Effect;
- (xviii) if subsequent to the listing of the Sukuk Certificates in terms of the Sukuk Issuance Agreement, the Stock Exchange suspends the trading of the Sukuk Certificates pursuant to the DSL Regulations and / or any other applicable laws and regulations and the same is not reversed within a period of 7 (seven) days;
- (xix) failure to procure listing of the Sukuk Certificates in terms of the Sukuk Issuance Agreement; and/or
- (xx) if subsequent to the listing of the Sukuk Certificates in terms of the Sukuk Issuance Agreement, the Managing Partner fails to comply with or contravenes with any of the provisions of the DSL Regulations and/or any other laws and regulations which may be applicable from time to time including any conditions imposed on it by the Stock Exchange once listed pursuant to the DSL Regulations and the same is not rectified within the prescribed time period.

11.2 Consequence of an Event of Default & Termination

11.2.1 Upon the occurrence of an Event of Default & Termination, in case the Event of Default & Termination is capable of rectification (other than an Event of Default & Termination in relation to the obligation to pay any amount payable in accordance with the terms of this Agreement / Transaction Documents), the Issue Agent (upon the instructions of the Majority Certificate Holders) shall issue a notice in writing to the Managing Partner, requiring the Managing Partner to rectify the Event of Default & Termination within 7 (seven) Business Days of the notice. In case the Event of Default & Termination remains un-rectified within the stipulated period, the Issue Agent shall, at its discretion or on the instructions/notice of any single Investor (without prejudice to other rights and remedies), on issuing a written notice to the Managing Partner, to:

- (a) require the profit and loss statement as per Schedule 3 attached hereto;
- (b) terminate the Musharaka;
- (c) declare that the obligation of the Issue Agent to make the Issue Agent's Investment available to the Managing Partner under this Agreement stand terminated; or
- (d) require, by written notice to ascertain the profit and loss till the termination date, the Managing Partner will share the calculations as per the format mentioned in Schedule 3 to make any immediate payment to the Issue Agent of all amounts withdrawn from the Issue Agent's Investment, Provisional Profit Payments accrued until the date of termination and any sums then payable under this Agreement and under any other document or agreement issued or executed hereunder or in connection herewith.



12. NOTICES AND COMMUNICATION

12.1 Method of Giving Notices

12.1.1 A notice, consent, approval or other communication (each a "Notice") under this Agreement shall be in writing, signed by or on behalf of the person giving it, addressed to the person to whom it is to be given and:

- (i) delivered by messenger or courier;
- (ii) sent by registered mail; or
- (iii) transmitted by electronic mail,

to that person's address and email.

12.2 Time of Receipt

12.2.1 A Notice given to a person in accordance with this Clause is treated as having been given and received:

- (i) if delivered by hand, on the day of delivery if delivered before 3:00 PM on a Business Day otherwise on the next Business Day;
- (ii) if sent by registered mail on the third day after the letter containing the Notice, duly stamped, is posted; or
- (iii) if transmitted by electronic mail, on the dispatch of the same, if before 3:00 PM (and if not, then on the next Business Day of the addressee), provided that no error has been received by the sender.

12.3 Address and Emails for Notices

12.3.1 For the purposes of this Clause, addresses and emails of the Partners are:

The Issue Agent

Address: 24th Floor - HBL Tower, Plot # G4, Block 7 Clifton, Karachi

Attention: Burhan Nasir
Head Advisory, M&A, and Capital Markets

Email: burhan.nasir@hbl.com

The Managing Partner

Address: KE Head Office - Main Building, 39-B, Sunset Boulevard, DHA II, Karachi

Attention: Danyaal Jamal
Head of Treasury and Corporate Finance

E-mail: danyaal.jamal@ke.com.pk



13. GOVERNING LAW AND JURISDICTION

- 13.1 This Agreement shall be governed by the laws of the Islamic Republic of Pakistan and the courts of Karachi shall have non-exclusive jurisdiction in respect of any dispute arising hereunder.

14. LIMITATION OF LIABILITY

- 14.1 The Issue Agent's liability to share the Musharaka Loss of the Designated Business shall be limited to the share of Musharaka Loss determined in accordance with Clause 8.2 and the Issue Agent shall not be liable for any amount other than or beyond the share of Musharaka Loss so calculated and in no case exceeding the Issue Agent's Investment.
- 14.2 The Issue Agent shall not be responsible for raising or providing any financing for the Designated Business except for the Issue Agent's Investment. The Managing Partner shall be solely and exclusively liable for any Financial Indebtedness of the Managing Partner for the purpose of the Designated Business or otherwise and the Issue Agent shall have no responsibility in this regard. For the avoidance of doubt, raising any financing by the Managing Partner or creating security therefor shall not create any liability on the part of the Issue Agent for securing of paying/repaying such Financial Indebtedness of the Managing Partner.

15. CHARITY

- 15.1 If the payments or any other amounts due under this Agreement are not made by the Managing Partner to the Investors / Issue Agent in full on the respective due date(s), the Managing Partner hereby irrevocably undertakes to pay to the Investors / Issue Agent as charity upon written demand and receipt of written notice from Issue Agent if the Issue Agent is of the opinion that the delay is without a valid reason, an amount calculated at the rate of 12% (twelve percent) per annum of such unpaid amounts, or part thereof or any other amount due for each day of delay beyond the relevant due date by which such amount, any part thereof or any other amount due remains unpaid, to be donated by the Investors / Issue Agent on behalf of the Managing Partner for charitable purposes as deemed fit and advised by the Shariah Advisors.

16. GENERAL INDEMNITY

- 16.1 The Managing Partner shall indemnify the Issue Agent on its first demand against all losses, claims, actions, proceedings, damage, costs and expenses incurred by the Issue Agent as a result of the Managing Partner's failure to comply with its obligations under this Agreement.

17. TAX INDEMNITY

- 17.1 If any law or regulation or any order of any court, tribunal or authority has the effect of subjecting the Issue Agent to taxes or charges with respect to any payment under this Agreement (other than taxes or taxation on the overall income of the Issue Agent), the Managing Partner shall be liable to pay such amount of taxes in addition to the amount otherwise payable by it under this Agreement within 15 (fifteen) days of demand of such amount.
- 17.2 If at any time, the Managing Partner is required to make any deductions or withholding in respect of taxes (other than taxes or taxation on the overall income of the Issue Agent) from any payment to the Issue Agent under this Agreement, the Managing Partner will pay an additional amount in respect of such payment to such extent as is necessary to ensure that after making of such deduction or withholding, the Issue Agent receives on the due date, a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made and the Managing Partner shall indemnify the Issue Agent against any losses or costs incurred by the Issue Agent by reason of any failure of the Managing Partner to make any such deduction or withholding. The Managing Partner shall promptly deliver to the Issue Agent any receipts,



certificates or other proof evidencing the amounts (if any) paid or payable in respect of any deduction or withholding as aforesaid, within 14 (fourteen) days of such deduction.

18. SET OFF

- 18.1 The Issue Agent shall be entitled at any time and without notice to the Managing Partner to set-off any rightful obligations of the Issue Agent to the Managing Partner in or towards satisfaction of any obligations of the Managing Partner to the Issue Agent, regardless of the place of payment, booking branch or currency of either obligation in relation to this Musharaka. If the obligations are in different currencies, the Issue Agent may convert either obligation at a market rate of exchange in its usual course of business for the purposes of set-off.

19. ASSIGNMENT

- 19.1 This Agreement shall be binding upon and inure to the benefit of each Partner and its permitted successors and assigns.
- 19.2 The Managing Partner shall not be entitled to assign or transfer any of its rights or obligations under this Agreement.
- 19.3 The Issue Agent may assign all or any part of its rights or transfer all or any part of its obligations under this Agreement to any person, without the written consent of the Managing Partner by giving prior notice of such assignment to the Managing Partner.
- 19.4 The Issue Agent may disclose to a potential assignee or transferee or to any other person who may propose entering into contractual relations with the Issue Agent in relation to this Agreement such information about the Managing Partner as the Issue Agent shall consider appropriate.

20. SEVERABILITY


- 20.1 If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any jurisdiction will in any way be affected or impaired.

21. NATURE OF RELATIONSHIP

- 21.1 The Partners shall participate in the Musharaka on profit and loss sharing basis, based on the concept of Shirkat-ul-aqd, in accordance with the principles of Shariah. Notwithstanding anything stated above, this Agreement shall not be deemed to create a partnership (as envisaged in the Partnership Act, 1932, or any successor legislation thereof) or company (as envisaged under the Companies Act, 2017 or any successor legislation thereof) and in no event does the Managing Partner have any right or authority, express or implied, to bind the Issue Agent with a third party or impose any obligation or liability on the Issue Agent in connection with the management of the Designated Business and Musharaka. In no event shall the Issue Agent be liable for the debts and obligations of the Managing Partner incurred by the Managing Partner, except as expressly stipulated in this Agreement.



IN WITNESS WHEREOF the Partners have caused this Agreement to be duly executed on the day, month and year first aforementioned.

SSA

 Muhammad Kamal
 Chief Financial Officer
 K-ELECTRIC LIMITED
 42301-1189521
 DANYAAL JAMAL
 Head of Treasury & Corporate Finance
 K-ELECTRIC LIMITED
 42201-2557851-3

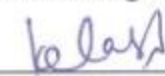
For and on behalf of
K-ELECTRIC LIMITED
 (as the Managing Partner)

Name: _____

Designation: _____

CNIC No.: _____

In presence of the following Witnesses

1 Signature: 

Name: Kelash Kumer


CNIC No.: 42101-73563321-1

2 Signature: 

Name: Khizar Khan

CNIC No.: 42101-80645587




 For and on behalf of
HABIB BANK LIMITED
 (As the Issuer)
 Ayesha Shakeel
 DGM-I
 Investment Banking
 Habib Bank Limited
 P.A. # 23484

Name: _____

Designation: _____

CNIC No.: _____


Munammad Talha Alam
 Team Leader P.A. # 25933
 Corporate Commercial & Investment Banking Group
 Habib Bank Limited
 1st Floor, HBL Tower, Karachi

In presence of the following Witnesses

1 Signature: 

Name: SYED QAMMAR ALI

CNIC No.: 90 HBL

2 Signature: 

Name: Waqid Ahmed

CNIC No.: 90 HBL



MFC

SCHEDULE 1 PROFIT SHARING MECHANISM

The Profit Sharing Mechanism between the Managing Partner and the Issue Agent (on behalf of the Investors) shall be as follows:

Tier 1 Profit:

Musharaka Profit up till the Tier 1 Profit Ceiling Amount shall be shared by the Managing Partner with the Issue Agent (on behalf of the Investors) on a pro rata basis based on the actual Musharaka Contribution by the Issue Agent (on behalf of the Investors) and the Managing Partner in the Musharaka Investment till such date.

"Tier 1 Profit Ceiling Amount" for the purposes hereof, calculated keeping in mind the following:

Musharaka Investment * Expected Profit Rate (i.e. Base Rate + Margin) * (Number of Days of Musharaka / 365 or 366 (in case of a leap year))

Where:

Base Rate: The Base Rate (3 months KIBOR) will be set 1 (one) Business Day prior to the Issue Date ("Base Rate Setting Date") by way of issuance of a notice in the format as detailed in Schedule 1-A of this Agreement.

The Base Rate will be subject to revision, 1 (one) Business Day prior to the commencement of each subsequent quarterly period, with effect from the date of commencement of each subsequent quarterly period (each such date being a "Base Rate Revision Date") by way of issuance of a notice in the format attached as Schedule 1-B of this Agreement. The revised Base Rate shall be applicable from each Base Rate Revision Date till the next Base Rate Revision Date and, for the last quarterly period during the tenor of the Sukuk Issue, from the last Base Rate Revision Date till the remainder of the tenor of the Sukuk Issue.

The "KIBOR" rates used for reference will be taken from Reuters page "KIBR", as published at 11.30 a.m. Pakistan Standard Time by the Financial Markets Association (FMA). The daily average of the 3 (three) months Offer Rate will be used. In the event that this rate is not published on Reuters on the Base Rate Setting Date / Base Rate Revision Date (as applicable) or if less than 8 (eight) banks provide their rates for the KIBOR fixing, the FMA or other relevant market body will be contacted for the relevant fixing rate.

The Expected Profit Rate shall be subject to a floor of 2% (two percent) per annum and a cap of 25% (twenty five percent) per annum.

KIBOR: The daily average of Karachi Interbank Offered Rate (Ask Side) for the relevant period as published on Reuters page KIBR or as published by the Financial Markets Association of Pakistan in case the Reuters page is unavailable;

Margin: 20 bps (0.20%) per annum

Payment Period: Monthly

Tier 2 Profit:

Musharaka Profit in excess of Tier 1 Profit Ceiling Amount shall be shared between the Partners in the following ratio:



- (i) Issue Agent: 0.00001%
- (ii) Managing Partner: 99.99999%

At the time of distribution of profit under Tier 2, the ratio of the Tier 2 Profit between the Issue Agent and Managing Partner may be revised subject to mutual written consent of the Managing Partner and the Issue Agent.

Furthermore, as authorized by the Investors under the Sukuk Subscription and Issue Agency Agreement(s) and the Prospectus / Application Form (as applicable), the Issue Agent shall (on behalf of the Investors) be permitted to distribute any Tier 2 Profit to which it is entitled to (as per the Tier 2 Profit sharing ratio above), by making charity payments to charitable institution(s), as approved by the Shariah Advisors.



SCHEDULE 1-A

FORMAT OF BASE RATE NOTICE

Dated: [•]

To: **K-ELECTRIC LIMITED**
(as the Managing Partner)

Subject: **Musharaka Agreement dated [•], 2025 between Habib Bank Limited (as the Issue Agent on behalf of the Investors) and K-Electric Limited (as the Managing Partner)**

Dear Sirs,

Capitalized terms used herein shall have the meanings as ascribed to them in the Musharaka Agreement dated [•] (the "**Musharaka Agreement**").

With reference to Schedule 1 of Musharaka Agreement, Base Rate is defined as the three (3) Month KIBOR, prevailing 1 (one) Business Day prior to the Issue Date.

In this regard, the Base Rate, prevailing one Business Day prior to the Issue Date, comes out to [•] % p.a.

Yours faithfully

For and on behalf of
HABIB BANK LIMITED



SCHEDULE 1-B

FORMAT OF REVISED BASE RATE NOTICE

Dated: [•]

**To: K-ELECTRIC LIMITED
(as the Managing Partner)**

Subject: Musharaka Agreement dated [•], 2025 between Habib Bank Limited (as the Issue Agent on behalf of the Investors) and K-Electric Limited (as the Managing Partner)

Dear Sirs,

Capitalized terms used herein shall have the meanings as ascribed to them in the Musharaka Agreement dated [•], 2025.

With reference to Schedule 1 of Musharaka Agreement, the revised Base Rate is defined as the three (3) Month KIBOR, prevailing one (1) Business Day prior to the Base Rate Revision Date.

In this regard, the revised Base Rate, prevailing one (1) Business Day prior to the Base Rate Revision Date, comes out to [•] % p.a.

Yours faithfully

For and on behalf of
HABIB BANK LIMITED



SCHEDULE 2

Provisional Profit Calculation

Provisional Profit Payment

The Provisional Profit Payment shall be the aggregate of the amount calculated in accordance with the formula given below, for each Profit Period:

$P \times R \times (D / 365 \text{ or } 366 \text{ (in case of leap year)})$

Where:

- P: is the outstanding balance of the Issue Agent's Investment utilized for Musharaka at the end of such day;
- R: Base Rate + Margin
- D: Number of days



SCHEDULE 3
CALCULATION OF PROFIT / LOSS OF MUSHARAKA BUSINESS

| <u>Period</u> | <u>Musharaka Period of 12 months</u> |
|---|--------------------------------------|
| Units Billed | xxx |
| <u>Sales Revenue</u> | |
| Residential | xxx |
| Commercial | xxx |
| Industrial | xxx |
| Total Consumer Collection | --- |
| Add: Subsidy | xxx |
| Total Revenue | xxx |
| <u>Total Cost</u> | |
| Less: Cost of Production/ Procurement of Electricity/Use-of-system charges | (xxx) |
| Less: Other Direct Expenses | |
| Salaries & Wages | (xxx) |
| Stores & Spare Expenses | (xxx) |
| Insurance/takaful expense | (xxx) |
| Depreciation | (xxx) |
| Gross Profit | xxx |
| Line losses * | (xxx) |
| Late Payment Surcharge | (xxx) |
| Profit / (Loss) | xxx |
| Share of Investor as per their Contribution in cost of production | xxx |

*Line losses are comprised of theft as well as transmission losses. The average line losses of IBCs considered for Musharaka business as per the data/financials provided by the Managing Partner is 15.3%. However, actual amount of line losses will be excluded from Net Sales to calculate Musharaka Profit.

| | |
|---|-----|
| Musharaka Investment (as per given formula**): | xxx |
| Profit Ceiling: | xxx |
| Tier 1 Profit of Investors: | xxx |
| Tier 2 Profit of Investors: | xxx |

Musharaka Investment by the Managing Partner = Value of Distribution Network Assets + average receivables of the Integrated Business Centres.

**At the time of calculation of profit and loss, the Managing Partner shall prepare accounts for the number of days falling between Musharaka Commencement Date and Musharaka End Date.

Note: With respect to the late payment surcharge, the share of the Investors/Issue Agent relating to the late payment surcharge will be distributed as Sadqae Wajiba by the Managing Partner in a Shariah compliant manner.



SCHEDULE 4

FORMAT OF MUSHARAKA CONTRIBUTION REQUEST

Dated: [•]

To: **HABIB BANK LIMITED**
(As the Issue Agent)

Subject: **Musharaka Agreement dated [•], 2025 between Habib Bank Limited (as the Issue Agent on behalf of the Investors) and K-Electric Limited (as the Managing Partner)**

Dear Sirs:

Capitalized terms used herein shall have the meanings as ascribed to them in the Musharaka Agreement. With reference to the Musharaka Agreement we hereby issue this Musharaka Contribution Request for investment in the Designated Business on the following terms:

Date: [•] (or, if that is not a Business Day, the next Business Day)

Amount: PKR [•]/- (Pak Rupees [•])

By way of: Payment into account no [•] maintained with the [•] branch of [•]

We propose that upon receipt of the Issue Agent's Investment in terms of this Musharaka Contribution Request for investment in the Designated Business, the profit-sharing ratio shall be as per Schedule 1 of the Musharaka Agreement dated [•], 2025. If the same are acceptable to the Issue Agent, the Issue Agent may make disbursement of the investment in terms of this Musharaka Contribution Request.

We further confirm that on the date of this Musharaka Contribution Request, all Representations and Warranties contained in the Musharaka Agreement are correct and no Event of Default & Termination has occurred and is continuing.

This Musharaka Contribution Request is irrevocable and is governed by the laws of the Islamic Republic of Pakistan.

Yours faithfully

For and on behalf of
K-ELECTRIC LIMITED



SCHEDULE 5

INTEGRATED BUSINESS CENTRE(S)

| S. No | Integrated Business Centre(s) |
|-------|-------------------------------|
| 1. | IBC - Bahadurabad |
| 2. | IBC - Bin Qasim |
| 3. | IBC - Clifton |
| 4. | IBC - Defence |
| 5. | IBC- F.B. Area |
| 6. | IBC - Gulshan |
| 7. | IBC -KIMZ |
| 8. | IBC- North Karachi |
| 9. | IBC - North Nazimabad |
| 10. | IBC - Saddar |
| 11. | IBC - SITE |
| 12. | IBC - Tipu Sultan |



SCHEDULE 6

DETAILS OF DISTRIBUTION NETWORK ASSETS

| Cluster | IBC Name | Description of Assets | Value (PKR) |
|-----------------|-------------|----------------------------------|---------------|
| Defence Cluster | Defence IBC | Transformer switch gear (15600) | 1,218,970,000 |
| | | Distribution overhead (31100) | 727,153,833 |
| | | Distribution underground (31200) | 2,544,141,174 |
| Total | | | 4,490,265,007 |

**As per the Evaluation Report of 'High Tension Assets except Sub-station Equipment' dated August 1, 2023 issued by Harvester Services (Private) Limited.*

