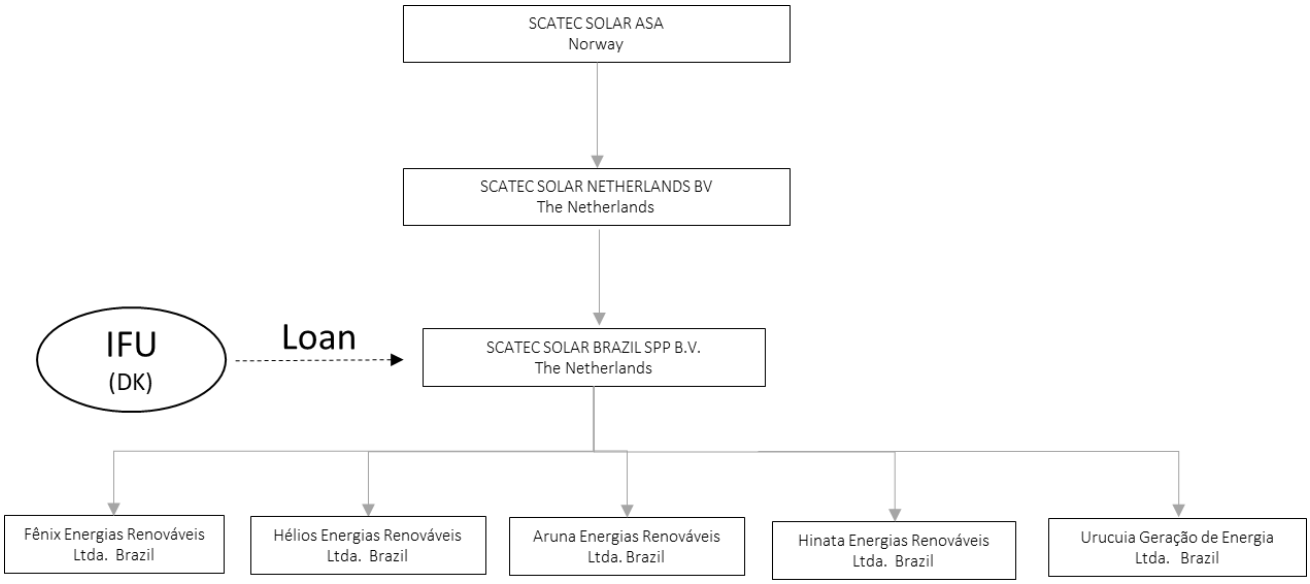
Tax policy compliance statement for Scatec Solar Brazil SPP, BV The Netherlands

1. The contemplated investment structure



IFU will be providing finance to Scatec's solar farms in Brazil, by means of a loan to a Dutch based investment platform holding project companies and operating & management companies in several emerging market countries, including Brazil. The local Brazilian companies and the Dutch holding companies are all informed to be taxable entities subject to local corporate income tax. A Brazilian restructure about making Urucuia Geracao de Energia Ltda. Brazil the Holdco of the other 4 Brazilian Project Companies is being considered.

2. Compliance with IFU's tax policy

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

- The local operative Brazilian companies are taxable entities subject to corporate income tax where the activities are performed.

- The Dutch holding companies are taxable entities subject to corporate income tax in The Netherlands.
- The Dutch holding companies function as investment platform for Scatec's operations in emerging market, including this project in Brazil and is established with genuine substance in the form of having more than 25 employees working out of Dutch office premises providing commercial, administrative and financing support to the various project companies.
- The Dutch investment platform is robust from a tax point of view and viewed to be able to claim benefits under the Dutch tax treaty network if relevant. In this case the Dutch-Brazilian tax treaty is not claimed because the domestic Brazilian withholding tax applying to dividend and interest payment are either lower or the same as the tax rates offered in the tax treaty between the two countries.
- The Brazilian project companies are likely to be taxed under the Presumed Profit Method, which means that interest expenses have no impact on the taxable income and no conflicts with OECD BEPS interest limitation guidelines are observed.
- A safeguard has been established in the loan agreement ensuring that IFU lending proceeds cannot be provided as shareholder loans to Brazil, if the Brazilian companies taxed under the Actual Profit Method on a consolidated basis are having net financing expenses more than OECD BEPS interest limitation rules. In that case Scatec must inject the IFU proceeds as equity in Brazil.
- Scatec has established a fit and proper Tax Policy and Transfer Pricing Policy which are aligned with the principles in IFU's tax policy. It has also been confirmed that the Transfer Pricing Policy applies even though the relevant jurisdiction for an intergroup transaction may not have implemented transfer pricing rules.
- Scatec has signed up to IFU's standard tax covenants, which represents the main principles in IFU's tax policy.
- The Netherlands is not listed on EU's blacklist for non-cooperative jurisdictions in tax matters and is on OECD's Global Forum Exchange of Information for Tax Purpose ranking listed to be largely compliant.

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

The contemplated debt investment into a Dutch holding company should not be subject to disclosure under the EU DAC 6 Directive as the listed hallmarks for disclosing are not viewed to be met.

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