

# Q&A

## **Why did Cairn Energy commence arbitration proceedings against the Government of India?**

- Cairn has been in dispute with the Indian Government since 2014 when the Indian Income Tax Department (IITD) issued a notice stating that it believed certain income had escaped assessment to tax, in respect of the Group re-organisation in 2006 as preparation for Cairn India being listed separately on the Bombay stock exchange. The IITD attached the 10% shareholding in Cairn India Limited, then valued at approximately US\$1 billion, and has made subsequent tax demands under retrospective tax legislation.
- Cairn subsequently filed a Notice of Dispute under the UK-India Bilateral Investment Treaty in order to protect its legal position and shareholder interests on the basis that, having sought comprehensive advice at the time, the company complied with all of its tax and regulatory obligations in India (and elsewhere) and is not liable for any tax in India on the re-organisation.

## **What is the current situation?**

- Cairn commenced international arbitration proceedings against the Government of India under the UK-India Bilateral Investment Treaty in March 2015. The arbitration (the agreed method of Treaty dispute resolution) will determine if India breached its obligations under the Treaty to protect Cairn's investments in India by retroactively applying a newly enacted tax law to an internal corporate reorganisation undertaken in 2006.
- The merits hearing took place on 20-31 August 2018 in The Hague, with a final hearing in Paris in December 2018. The Arbitral Tribunal issued the final award on 22 December.

## **What is Cairn Energy seeking?**

- Cairn is seeking full restitution for losses of more than US\$1.4 billion resulting from: the expropriation of its investments in India in 2014; continued attempts to enforce retrospective tax measures; and the failure to treat the Company and its investments fairly and equitably.
- Cairn has a high level of confidence in its legal case under the Treaty and, in addition to resolution of the retrospective tax dispute, its claim seeks damages equal to the value of the Group's residual shareholding in CIL at the time it was attached in 2014, plus further assets seized since, amounting to approximately US\$1.4 billion.

## **Can the result of the arbitration be appealed?**

- The Treaty expressly states that the decision of the arbitral tribunal shall be final and binding and the parties shall abide by and comply with the terms of the award.
- Cairn Energy wants all parties to accept the award whatever the outcome.

## **What is the status of the original India shareholding?**

- Since 2014, Cairn has been unable to access the value in its shareholding in Vedanta Limited (VL) (originally a ~5% shareholding) and the IITD continues to pursue enforcement of the tax demand and sell down the shareholding.
- Almost all of the shares have now been sold with US\$1 billion of assets collected through dividends, tax refunds and share sales.