Investeringsfonden for Udviklingslande (IFU)

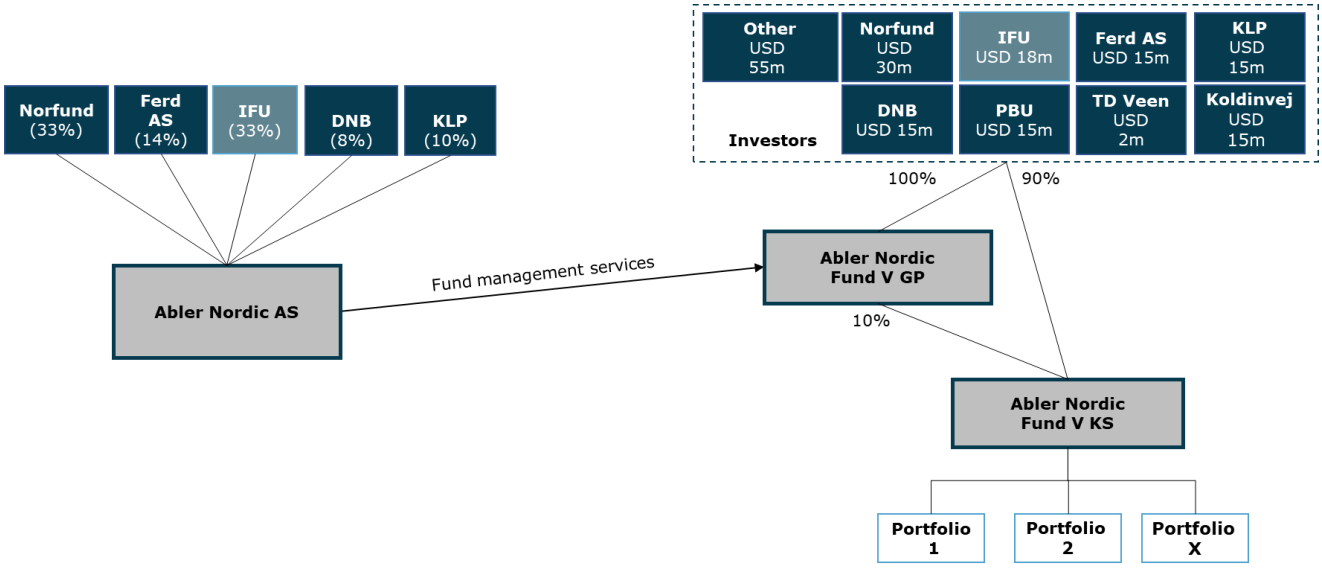
Kongens Lyngby, 26th March 2024

Compliance Statement for Abler Nordic Fund V KS

1 Investment Structure

The Investment Fund for Developing Countries ("IFU") is contemplating to provide equity financing of USD 18m to the Abler Nordic Fund V KS. Through this investment IFU will obtain ownership in the Abler Nordic Fund V KS. Abler Nordic AS will provide fund management services to Abler Nordic Fund V GP, which will be passed through to Abler Nordic Fund V KS.

The structure of the investment can be illustrated as below:



Both Abler Nordic Fund V GP and the investment vehicle, Abler Nordic Fund V KS, are incorporated in Norway as limited liability partnerships whereas Abler Nordic AS is incorporated as a limited liability company and is a tax resident and subject to corporate income tax in Norway.

The Abler Nordic Fund V KS will invest in financial institutions targeting low-income households in Sub-Sahara Africa, South Asia, and Southeast Asia. The instruments used by Abler Nordic Fund V KS's will be a mix of debt and equity and will be deployed as need be. The Abler Nordic Fund V KS will function as a close-ended fund, with a 12-year term but the possibility for two 1-year extensions.

Abler Nordic AS by which Abler Nordic Fund V KS is managed, is a Norwegian entity carrying a license as an alternative investment fund manager and is supervised by the Norwegian financial supervisory authority.

2 Compliance with IFU's Policy on Responsible Tax

The structure has been subject to our high-level tax due diligence as part of IFU's Policy on Responsible Tax. Based on the facts and circumstances made available, CORIT Advisory is of the opinion that the current investment structure complies with IFU's Policy on Responsible Tax. In line herewith, if the contemplated investments in portfolio companies in Sub Sahara Africa, Southeast Asia and South Asia are carried out as explained by the management of Abler Nordic, we find that the structure complies with IFU's Policy on Responsible Tax.

The elements of IFU's Policy on Responsible Tax and the compliance herewith is outlined in the following sections.

2.1 Pays taxes in developing countries where operating income is generated

As a part of IFU's Policy on Responsible Tax, companies in which IFU invests must comply with local tax laws and pay taxes where they are engaged in economic activity.

Since the Abler Nordic Fund V KS is a newly established investment vehicle and the investments have not yet been made, we have not been able to review specific investment structures used when investing in portfolio companies. Instead, we have relied on information regarding the investment structures used in other similar funds, provided by the Chief Financial Officer of Abler Nordic AS (the fund manager of Abler Nordic Fund V KS).

We have been informed that as a main rule, the investments are made directly in the operational portfolio companies with an ownership of 20-40% which during the ownership period may diluted down to 8-15% by the time of exit, depending on the growth strategy for the specific portfolio company.

We understand that so-called Technical Assistance ("TA") will be provided by Abler Nordic AB. TA is provided to the portfolio companies to assist them in successfully meeting growth and expansion targets, projected development impacts and in the achievement of financial and organizational sustainability. We further understand that TA facilities concerns certain development projects of which the portfolio companies can submit a bid for through a tender process. The services provided under the TA facility by Abler Nordic is paid for by the portfolio companies. Since we have been informed that the ownership will not exceed 40%, the TA facility should not constitute a controlled cross-border transaction, i.e., the transaction should per se be considered carried out on market terms. Notably, if the ownership in a specific investment exceeds 50% or if Abler Nordic Fund V KS in any other way can

exercise control over the portfolio companies, the TA facility should be subject to a transfer pricing assessment of the pricing of the TA facility.

Based on the above and the provided information, it is our understanding that Abler Nordic Fund V KS through its investments in portfolio companies pay tax in the countries in which the group operates and has its economic activities. Further, it is our understanding that Abler Nordic Fund V KS comply with domestic tax obligations and do not participate in tax practices where the purpose is to shift profits from the country in which the profits have in fact been earned to a low-tax country (so-called profit shifting).

2.2 Does not use holding companies irresponsibly

As a part of IFU's Policy on Responsible Tax IFU may use holding company structures if such structures are considered normal and usual and may not use such structures in a way that works against the OECD Inclusive Framework on base erosion and profits (BEPS). Further IFU will not invest through third jurisdictions that are on the EU list of non-cooperative jurisdictions for tax purposes or do not comply with OECD's Global Forum.

We have been informed that the ownership in Abler Nordic Fund V KS will not be structured via any holding companies. IFU will own an interest directly into the Abler Nordic Fund V KS. Further, we have been informed that Abler Nordic Fund V KS will not use holding companies in third jurisdictions when investing in the portfolio companies. Investments in holding companies will only be relevant if Abler Nordic Fund V KS were to invest in a group that operates in several jurisdictions and therefore is structured with a holding company owning several subsidiaries.

Based on this information, we find that if it is ensured that the structure of the portfolio company does not include any holding company established with the main purpose of obtaining a tax treaty benefit. It can be concluded that the Abler Nordic Fund V KS will not use holding companies in a way that works against the OECD lnclusive Framework on base erosion and profit shifting (BEPS). Further, we do not find that the principal purpose of any disclosed arrangement is to reduce the taxation of returns from the operating companies in in Sub Sahara Africa, Southeast Asia or South Asia without substance, as we understand that there will be significant activities in the portfolio companies, including local employees.

2.3 Be transparent

The Abler Nordic Fund V KS is willing to report aggregate amount of tax expenses on an annual basis to IFU and thereby support IFU's tax policy of transparency regarding the aggregate tax expenses of companies in which IFU invests.

3 Disclosure

The investment by IFU into the investment vehicle Abler Nordic Fund V KS should not be subject to disclosure under the EU DAC 6 Directive. Further, based on an assessment of the contemplated investment into the portfolio companies, we find that this would likely not be in-scope of the listed hallmarks required for triggering a disclosure obligation.

4 Recommendation

Since the fund has not yet entered into any investments, we are not able to assess the actual investments. Therefore, we recommend that it is stated in the investment agreement or a sideletter:

- that IFU must be informed when investments are made.
- that Abler Nordic Fund V KS see it as one of its fiduciary duties – as the manager - that all portfolio companies invested in uses best efforts to be compliant with local tax laws and the IFU's Tax Policy.

Kind regards,

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