

TAX



INTRODUCTION

Healthcare, education and transport: Tax revenue creates the conditions for countries to build up their own structures for important social functions themselves, and thus lay the foundations for sustainable development.

The Mbeki Panel¹ states that Africa loses an estimated USD 50 billion a year through illicit financial flows. This includes

everything from corruption and money laundering to tax evasion. The total is roughly equivalent to the amount Africa received in aid during the same period. The UN-agreed Addis Ababa Action Agenda (the framework for financing Agenda 2030) states that a significant increase in domestic public sector funds is critical to achieving sustainable development and meeting the sustainable development goals. It stresses that combating tax evasion is central to success.

Swedfund's mission is to combat extreme poverty through sustainable business. The tax revenues from our portfolio companies in the countries in which we are

tasked to operate are vital. Paying tax is a matter of development and fairness. There are, however, many challenges in our operational countries related to the like of defective tax structures. For that reason, it is important that the efforts to construct strong institutions which can administer the taxes which investment and business generate, continues.

Combating corruption is another issue linked to taxation. Reduction in corruption can contribute to more of the tax flows benefiting citizens.

DATA

EVERY YEAR, DEVELOPING
COUNTRIES LOSE
USD 100 BILLION
IN REVENUE AS A RESULT OF
TAX EVASION
BY MULTINATIONAL COMPANIES²

AFRICA LOSES AN ESTIMATED
USD 50 BILLION
EACH YEAR THROUGH
**ILLICIT
FINANCIAL FLOWS**
THIS INCLUDES EVERYTHING FROM
CORRUPTION AND MONEY LAUNDERING
TO TAX EVASION³

**DEVELOPING
COUNTRIES**
LACK
USD 2.5 TRILLION
IN ANNUAL INVESTMENT WHICH WOULD
BE NEEDED TO ENABLE THEM TO REACH
THE GLOBAL GOALS⁴

WHAT SWEDFUND DOES

IN SWEDFUND'S INVESTMENT PROCESS:

▼ Tax forms part of Swedfund's Due Diligence. This means that, in preparation for an investment, we review the project and its structure from a tax perspective. Swedfund will not, for example, invest in corporate structures which lead to unjustified profit transfers from the operating country to another country, leading to an unbalanced tax situation. We also require that our portfolio companies submit reports on their tax situation. In the course of its normal activities, Swedfund will encourage its portfolio companies to act responsibly on taxation matters.

WE MEASURE RESULTS:

▼ Swedfund reports the taxes reported by portfolio companies in its annual report, and aims to record information on the amount of tax paid by the companies, using a harmonised definition.

▼ We also report the amount of tax which our portfolio companies declare in their annual reports in an aggregate country-by-country report.

SDG IN FOCUS THROUGH OUR WORK:

▼ SDG 17.1: Strengthen domestic resource mobilisation, including through international support to developing countries,

to improve domestic capacity for tax and other revenue collection.

GOVERNING POLICY & RESPONSIBILITY:

▼ Swedfund's owner instruction

▼ Swedfund's tax policy

▼ The Chief Legal Counsel and the Directors of Investment Operations are responsible for tax issues in portfolio companies.

SWEDFUND'S TAX POLICY

SWEDFUND HAS TAKEN AN active approach to tax issues for a number of years. We also have regular discussions with stakeholders on tax. During 2016, we adopted a tax policy, which has been published on Swedfund's website. We put a great deal of work into this, and it is one way for us to make our view abundantly clear.

FOR SOME CONSIDERABLE time, Swedfund has had two rules on taxation in place in its owner instruction: Firstly, Swedfund is not permitted to invest in intermediary jurisdictions which have been assessed within the framework of the OECD Global Forum Peer Review Process and that have thereby not been approved in phase 1, or have been deemed Partially Compliant or Non Compliant in phase 2. Secondly, Swedfund shall only invest in sound and transparent corporate

structures which do not contribute to tax evasion. Swedfund's adopted policy is not aimed at changing Swedfund's position on tax issues.

DURING 2016, SWEDFUND decided to report our portfolio companies' domicile, including the domicile of any intermediary company, on our website. This decision will be implemented during 2017. Swedfund's tax policy may be read on our website, swedfund.se.