

TAX FAIRNESS

The role of investors

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The PRI

Investor-led, supported by the United Nations since 2006

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice.

Its goals are to understand the investment implications of environmental, social and governance issues and to support signatories in integrating these issues into investment and ownership decisions.



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UN PARTNERS:
UNEP FINANCE INITIATIVE
UN GLOBAL COMPACT



4600+

SIGNATORIES:
ASSET OWNERS
INVESTMENT MANAGERS
SERVICE PROVIDERS



120+

US\$ trn
ASSETS UNDER
MANAGEMENT



Risks for investors



Governance



Earnings



Reputation



Macroeconomic and societal

A fairer tax system reduces risks for investors

Macro level



Level playing field for all companies in portfolio



Funding of critical public services necessary for investment returns – funding of the SDGs



Positive impacts on economic growth, competition, sustainable development

Micro level

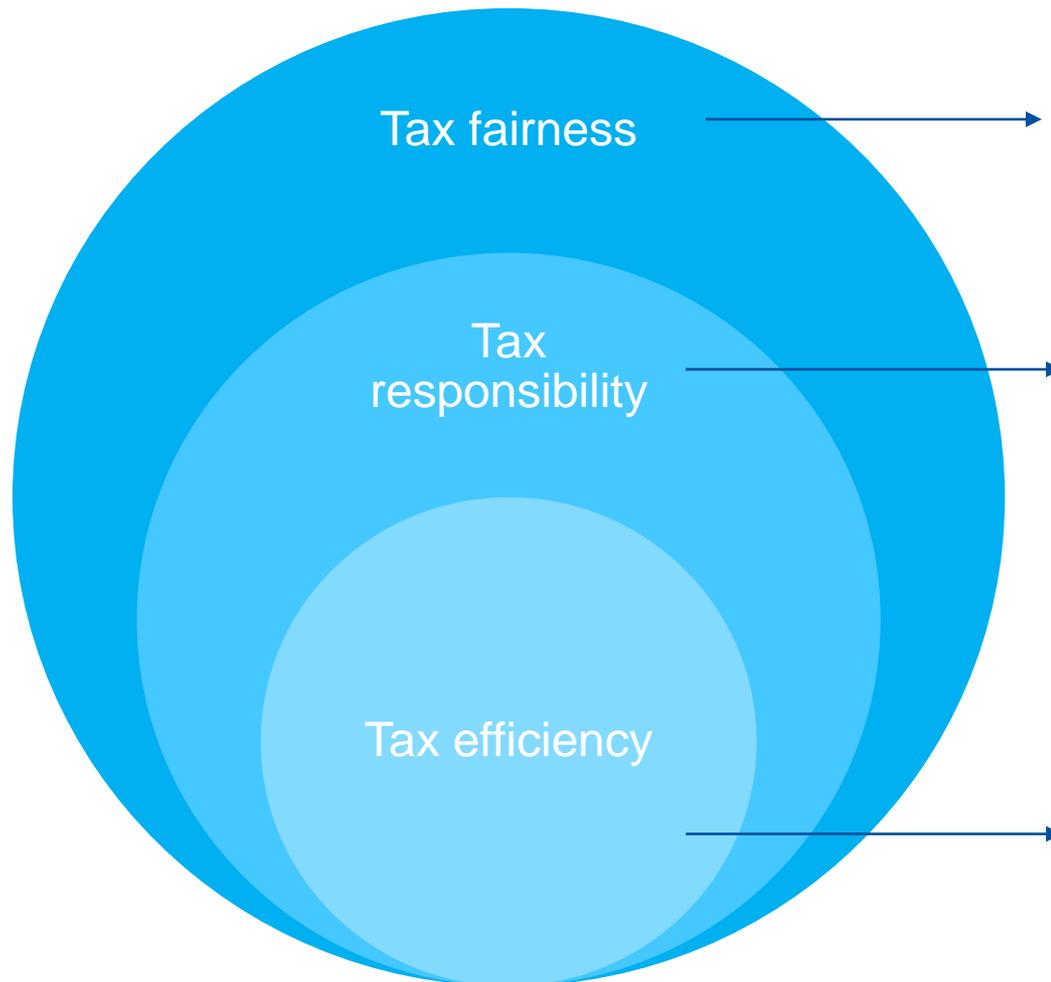


Business profitability not dependent on uncertain or volatile tax planning. Greater certainty



Organisational resilience, licence to operate, increased customer trust, positive reputation

Spectrum of views on tax



*Businesses*can and should ensure that their activities take into account the broader economic and social consequences of tax issues***

Systemic view that affords greater recognition to the role of different actors in achieving a 'fair' outcome for all; embeds tax optimisation and responsibility

Businesses have a fiduciary duty to generate long-term value, which may be compromised by aggressive tax behaviour

Tax no longer just a cost to minimise. Although prudent tax planning is still valued, aggressive tax planning is actively avoided even when considered legal

Businesses must minimise taxes to maximise profits

Prudent tax planning as the basis for tax management. Focus on optimising tax costs and on compliance with laws.

The PRI's vision: towards tax fairness

Tax efficiency

Tax responsibility

Tax fairness

The PRI proposes the view that tax fairness can be realised when:

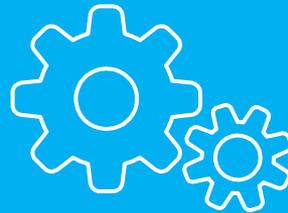
- sustainability goals and economic prosperity are achieved through effective tax revenue collection and distribution;
- opportunities for corporate tax abuse (evasion and avoidance) are eliminated; and,
- new global norms on tax that promote integrity, transparency and accountability are established, within and among all participants in the system.

What is the PRI doing on tax?



Awareness

Guidance documents
Educational events



Influence

Policy
Best practice



Engagement

30+ investors
US\$ 2.9 trillion in AUM



TAX

ENGAGEMENT AT A GLANCE

2017
2019

OVER 35

institutional investors
(circa US\$3trn in AUM)



KEY INVESTOR ASKS



- Publish a **global tax policy**
- Report on tax **governance and risk management**
- Produce **country-by-country reporting**

TARGETS

41 large multinationals in technology and healthcare – sectors known for complex tax strategies



33 responded | 8 unresponsive

FINDINGS

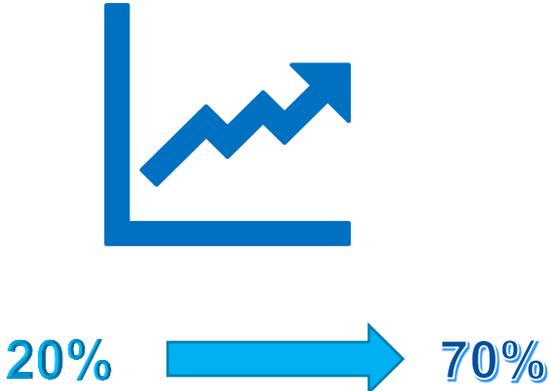
Out of 33 responsive companies:

MEETING ASKS VS FALLING SHORT

- 23 publish **global policies**
- 27 commit to **avoiding aggressive** tax planning
- 25 indicate **board responsibility** for tax issues
- Only five explained their approach to **tax havens**
- None produced a **country-by-country report**

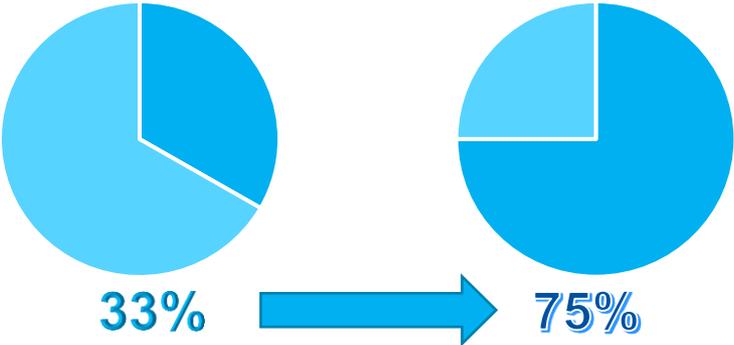
Collaborative Engagement - Positive outcomes

Global Tax Policy



Rise in the number of global tax policy publications

Governance and risk management



75% of the responsive companies disclosed board responsibility

Collaborative Engagement - Positive outcomes



A European technology company added a **section dedicated to tax transparency in its annual report** setting out its tax principles, including a formal commitment to tax responsibility.



A US technology company **updated its audit committee charter**, outlining the committee's responsibility to undertake an annual review of the company's policies and processes for tax planning and compliance.



A European healthcare company strengthened its tax policy in 2019 by specifically **outlining its approach to operations in tax havens.**

Corporate tax disclosures are poor compared to other ESG issues: Investors must bring companies up to speed

- **Less than 10%** disclosing country-by-country breakdowns
- Lack of evidence in corporate disclosure that tax policies are linked to **wider strategic objectives**, including sustainability considerations
- Weak evidence that companies are actively addressing **reputational risks emerging from tax issues**



 [Link](#)

What can investors do next?



Proactively monitor and engage – using existing PRI guidance



Collaborate locally to improve company relationships



Keep requests consistent: e.g. GRI 207



Escalate action where appropriate



Engage with wider stakeholders and collaborate on other tax initiatives

“To achieve impact, investors should systematically consider tax practices within investment decisions and pursue ongoing engagement with various actors including corporates themselves, policy makers and other stakeholders.”

unpri.org/tax-transparency

PRI's tax programme: next steps to assist investors

SUPPLEMENT EXISTING GUIDANCE ON STEWARDSHIP

- Incorporation into voting policies
- Reinforce link with environmental and social issues

POLICY ENGAGEMENT

- Help investors contribute to the policy debate
- Priorities include public CBCR

HELP INVESTORS ADDRESS OWN TAX AFFAIRS

- Develop a model investor policy on tax – covering investors themselves and investee companies

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