Tax Management Policy

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Direct links to other relevant Policies, Standards, Procedures or Guidance notes:

- Anti-Corruption and Integrity Operating Policy

Version Control

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1. Purpose

This policy sets out PIDG's approach to responsible tax management. It aims to fulfill the requirement set out in the Association of European Development Finance Institutions ("EDFIs")'s "Principles for Responsible Tax in Developing Countries" (the "Principles") to "adopt and publish a tax policy" and is intended to be compliant with EU tax policies and the European Commission Communication (C(2018) 1756 final) on new requirements against tax avoidance in EU legislation governing in particular financing and investment operations.

In addition, PIDG seeks to act as a responsible taxpayer, aligning the long-term interests of all Stakeholders, PIDG People, and the wider society in which it operates. PIDG complies with the tax obligations of the PIDG Trust and each of the PIDG Companies. The PIDG Code of Conduct sets out PIDG's commitment to adopting the most robust standards of international good practice in managing its tax position.

2. Scope of policy

This policy applies to all activities undertaken by, or on behalf of PIDG. This policy applies to all:

- PIDG Companies; and
- PIDG People.

3. Roles and Responsibilities

The PIDG Board is responsible for approving this policy following recommendation from Audit Committee and is accountable to the PIDG Owners for the appropriate disclosure of information under this policy.

The Audit Committee is responsible for reviewing this policy, ensuring the adequacy of PIDG's arrangements concerning tax management.

The PIDG CFO is responsible for the implementation of this policy together with associated standards and guidance as appropriate. The CFO shall monitor and periodically report to the Audit Committee on the adequacy and effectiveness of PIDG's arrangements for tax management.

Each PIDG Company shall:

- be responsible for ensuring its compliance with this policy and associated standards and guidance as issued by PIDG Ltd from time to time; and
- take reasonable steps to ensure that equivalent arrangements are put in place in respect of Third Parties and PIDG Recipients (where appropriate) to ensure their compliance with this policy or another policy consistent with the principles of this policy.

4. Policy

4.1. It is PIDG's policy to conduct all of its business in an honest, ethical and compliant manner. PIDG is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever PIDG companies operate.

4.2. PIDG is committed to tax compliance that is focused on complete, timely and accurate tax filings in accordance with the legal requirements of the applicable tax laws and regulations in the jurisdictions in which PIDG companies operate.

4.3. PIDG takes a zero-tolerance approach to tax evasion and the facilitation of tax evasion, under the laws of any country. PIDG undertakes to implement and enforce reasonable systems and controls to prevent the facilitation of tax evasion. PIDG will uphold all laws relevant to countering tax evasion and the facilitation of tax evasion in all jurisdictions in which PIDG Companies operate.

4.4. PIDG recognises that it will commonly participate in investment structures involving OFCs when this fits with the purpose of mobilising private finance towards developing countries and, thereby, helps to fulfil its development mandates. PIDG is committed to abiding by the Principles in relation to its activities.

4.5. In accordance with the requirements set out in the Principles requiring adoption and publication of a tax policy, PIDG will:

i. seek to avoid being a party to potentially harmful tax situations where there is a significant risk of tax evasion by the PIDG Recipient or unfair tax treatment of the PIDG Recipient;
ii. require PIDG Recipients to comply with tax laws in the jurisdictions in which business is conducted;
iii. avoid participating in corporate structures created for the sole purpose of artificially transferring taxable profits away from the countries in which business is conducted. PIDG participates in transactions involving intermediary jurisdictions or holding company structures outside host countries when such structures are deemed necessary to mobilise financial resources and to fulfil development objectives. The use of OFCs or intermediate jurisdictions will be limited to jurisdictions that are committed to the internationally accepted standards defined by the Global Forum on Transparency and Exchange of Information for Tax Purposes (the "Global Forum"), which include the automatic exchange of tax information ("AEOI"), and are at least largely compliant with them; and is not on the EUs list of non-cooperative Jurisdictions;
iv. promote transparency by reporting the aggregate tax paid by PIDG Companies and PIDG Recipients, to the extent that this is practically possible. Where information cannot be published, PIDG will explain the reasons. Due to confidentiality, this will not extend to disclosure of beneficial ownership of investee entities unless such disclosure is already required by law; and
v. recognise the role of tax in development effectiveness reports by including information collected on taxes paid by PIDG companies and PIDG Recipients at an aggregate level, as per (iii) above. This will complement PIDG's other development indicators and help position the role of development finance in reaching the SDGs.

5. Breaches of this policy

5.1. Any PIDG employee who breaches this Policy may face disciplinary action, which could result in dismissal for misconduct or gross misconduct.

5.2. PIDG entities may terminate their relationship with other Third Parties if they breach this Policy.

6. Further Information

If you have any further questions relating to this policy, you should speak to the PIDG CFO or a member of the Finance Department.