

## Tax justice is reaching the boardroom

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PRI is an organisation whose initials stand for Principles for Responsible Investment. Broadly CSR focussed, the group represents a range of mainly institutional investment focussed organisations. They have just issued [new guidelines on tax disclosure by companies](#) which are worthy of note. As they say of their new guidance:

*Companies are encouraged to disclose information, addressing tax policy, governance and performance to the highest degree possible and with increasing quality over time. This information may be provided through multiple channels. These include a stand-alone tax policy, the proxy circular, the annual report or sustainability report and/or the company website. Companies should make an effort to cross reference these presentations in order to allow investors to evaluate a company's tax strategy and exposure in context. To that end, investors would benefit from clear links between tax risks, tax strategy and performance, wherever possible.*

Their summary on desirable disclosure is this:

This is important for several reasons.

First is the emphasis on tax risk. If this risk is acknowledged, appraised and monitored the inclination will be to reduce it. I have long argued that this is of benefit. What is more, I have argued that the risk is asymmetric: the company has taken the risk and passed it on to the shareholders (and others) without them being aware of it. Disclosure stops this asymmetry, protects shareholders including pension funds, and so improves overall levels of risk and rates of return to society from corporate activity. I am pleased PRI recognise this.

Second, the Board is unambiguously given responsibility for looking at this. Blame if things go wrong is also attributed to them. Those responsible for tax risk are effectively named as a result. This is long overdue.

Third, some specific areas of tax risk are highlighted, including intra-group loan interest

charging (a feature of the Luxleaks scandal) and the use of specific tax incentives and holidays, which will discourage their use which would be good as these invariably exploit the country giving them and are a part of the race to the bottom in tax.

Fourth basic tax reporting - the tax reconciliation - has to be improved. The Fair Tax Mark has focussed heavily on this issue.

Fifth, specific tax risk is highlighted via dispute disclosure - which will encourage settlement (and avoiding dispute in the first place where possible)

Last, country-by-country reporting is there, as it should be.

This is a very welcome development and I am grateful for it: tax justice is reaching the boardroom via investors. It's taken time but it's welcome nonetheless.