

Funding the Future

The foundations of a new order in tax responsibility

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The [UN PRI](#) is probably not that widely known. Standing for the UN Principles for Responsible Investment, it is a partnership between business and the UN:

Based in London, it is doing good thinking on the relationship between tax and responsible investing. [The latest report from it on this issue](#), just out, looks at current tax practice and includes this summary of its findings on two sectors (healthcare and IT) and progress against [the recommendations the UNPRI made last year](#):

Table: Overview of current tax disclosure practices

	<10% OF COMPANIES	10-25% OF COMPANIES	OVER 25% OF COMPANIES
Policy	<ul style="list-style-type: none">■ Address broader economic impacts in their tax policy and outline alignment with business and sustainability strategy■ Discuss advocacy and lobbying■ Indicate membership in trade associations active on tax policy■ Have a policy signed by a board-level representative■ Reference impact on overall profitability in their tax policy■ Discuss stakeholders' trust, values or explain if engagement has impacted policy■ Commit to transparent tax-related reporting■ Describe relationship with other stakeholders including assessing perceptions regarding the spirit of tax laws	<ul style="list-style-type: none">■ Describe relationships with tax authorities■ State risk appetite■ State link between where profit is booked and commercial activity■ Provide overview of general tax structures and strategies	<ul style="list-style-type: none">■ Publish a tax policy
Governance and risk management	<ul style="list-style-type: none">■ Provide evidence that the board discusses ramifications on reputation■ Provide information on whistleblowing channels■ Reference third-party standards and guidelines■ Provide examples of acceptable and unacceptable practices, and how tax havens are used, if applicable■ Indicate that tax policy and strategy are reviewed at least annually	<ul style="list-style-type: none">■ Provide a statement on tax governance and risk oversight■ Disclose mechanisms to maintain compliance with the firm's tax policy■ Describe the process to interpret the law and deal with ambiguity■ Provide information on training and guidance	<ul style="list-style-type: none">■ Provide a narrative on major tax risks
Performance	<ul style="list-style-type: none">■ Disclose new tax strategies being employed leading to increases in UTBs■ Disclose intra-company debt balances, name countries where intercompany debt is held and disclose average interest rate paid on intercompany debt■ Publish country-level tax reporting■ Explain key tax strategies employed in relation to ETR and use global weighted average in ETR reconciliation■ Provide commentary on the likelihood of non-renewal of incentives■ Highlight investment requirements of each incentive	<ul style="list-style-type: none">■ Potential regulatory changes related to tax strategies■ Information on the expiration date of tax incentives	<ul style="list-style-type: none">■ ETR reconciliation■ Statement on UTBs■ List of subsidiaries■ Current disputes with tax authorities■ Information on financially material tax incentives

This is an initiative I have been pleased to work with. My concerns about macro savings practices are well known. But I simultaneously (and entirely consistently) believe that we will continue to live in a mixed economy, in which case creating a strong level playing field for business where each discloses the role it plays in society for the benefit of all stakeholders is vital.

As these findings show, there is a long way to go. But progress is being made, principles are being established and monitoring is happening. Those are the foundations of a new order in this area.