

Making Tax an Essential Part of ESG

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London partner Charlotte Sallabank and associate Christy Wilson, Transactional Tax Planning, authored an article for *Private Equity International* on responsible tax behaviors that companies should consider, including compliance, transparency, strategy and risk policy, to ensure they are conducting business responsibly and with environmental, social and governance (ESG) factors in mind.

The increased scrutiny around companies' attitudes towards tax "sits against a backdrop of governments' agreement to create a cohesive international policy in relation to tax payment," Charlotte and Christy explained, adding that some jurisdictions require that companies publish their tax strategy annually, "setting out the view of the board on tax and how tax risk is managed across its business."

A company's tax policy may also impact other stakeholders, including employees and customers, as it can determine whether an employee wants to work for the company or whether the customer wants to purchase products or services provided by the company. Charlotte and Christy explain that consumer backlash has occurred when it's revealed that a company has not been paying its fair share" of taxes, which can influence potential investors in the company as well as private equity fund managers who gauge the company's approach to its ESG responsibilities by looking at its tax risk appetite. There is also a danger that a company's commitment to ESG is not authentic and only a way to maintain its competitive advantage, Charlotte and Christy added.

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