

## Position Statement on Responsible Tax

FMO (the Netherlands Development Finance Company) is the Dutch development bank. FMO supports sustainable private sector growth in developing and emerging markets by investing in ambitious entrepreneurs.

Our stakeholder approach is to engage proactively with clients, governments, non-governmental organizations (NGO's) and communities to steer towards a positive impact on some of society's leading global Environmental, Social and Governance (ESG) issues. FMO has long-term experience and builds on a broad and in-depth internal expertise in its engagement with its clients to stimulate the application of the highest ESG standards. This approach also serves to mitigate the potential negative impacts that our investments may contribute to.

This Position Statement is an integral part of a framework of Position Statements related to the FMO Sustainability Policy that steers FMO's activities. The Position Statements explain FMO's choices in relation to major global sustainability issues. They reflect our objective to apply the highest standard of ethics and integrity to our business activities.

### Responsible tax

Contributions to governments are relevant for each nation to finance public goods such as infrastructure, health and education and thus contribute to the wellbeing of the people that live there. A healthy tax environment is based on compliance and trust from both tax payers, tax authorities and governments.

### FMO's choices

FMO is statutorily bound to contribute to the development of the private sector and the nations where the private sector is active. FMO takes issues around tax on board in its due diligence and in its decision making on each transaction, client and investment. FMO complies with both national and international tax regulations.

FMO believes that, before any decision to invest is made, each project and each financing has to be analyzed and is subject to tailored tax analysis and due diligence. FMO is among the first development banks to implement an assessment by tax experts of our clients' international tax practices as part of our due diligence process.

FMO asks of its clients to explain their corporate structures, including taxes, tax base erosion and profit shifting (BEPS<sup>1</sup>). FMO has developed an assessment methodology to systematically appraise whether its clients show responsible tax behavior. This has a focus on international intercompany transactions within multinational clients. The ultimate aim is to identify possible tax base erosion activities.

## Implementation

For implementation within FMO, our considerations include:

- FMO complies with tax regulations both national and international, which means that FMO is filing tax returns and issuing documents such as residence certificates;
- FMO acts in line with the covenant that FMO has signed with the Dutch tax authorities. This implies transparency and trust to and from the Dutch tax authorities and is the framework for supervision by the Dutch tax authorities;
- Tax control is assured by integrating tax in business processes rather than by 'post event' monitoring/reporting tools.

FMO also recognizes the responsibility of its clients. For implementation with FMO's clients, our considerations include:

- FMO requires clients to comply with all applicable tax regulations and clients must be able to demonstrate their tax situation to FMO;
- Where FMO identifies an unbalanced tax situation, FMO will, within its power, take appropriate steps to assure that FMO acts according to its development goals. FMO considers an unbalanced tax situation where there is a clear situation of tax avoidance, base erosion by the tax payer or opposite, an unfair tax treatment towards the tax payer. This will be comprehensibly determined by FMO's tax department;
- FMO's tax department will provide expert advice on the client's tax performance to be taken into account in decision making by the credit department, either with or without conditions. Non-compliance to such contractual conditions will be subject to FMO's general policy and can lead to, for example, increased monitoring of the client.

## Feedback

We welcome feedback on our Position Statements. Please contact us at [consultation@fmo.nl](mailto:consultation@fmo.nl).

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<sup>1</sup> [Base Erosion and Profit Shifting](#)