Tax Policy for the PFA Group

Introduction

PFA contributes to society by doing business on the basis of professional, fair and accountable principles. We wish to be transparent about our tax conditions, and would also like to encourage others to observe transparency on the area. This policy collects the PFA Group's (PFA) principles and practices related to tax, and applies to PFA as a company, an employer and investor.

PFA manages a large part of the pension wealth in Denmark and is dedicated to creating long-term solutions that are sustainable from a financial, social and an environmental perspective. We wish to be a responsible company with a responsible tax practice as the basis of our business. Therefore, we use existing national rules and regulations, and international regulations, guidelines and principles in the tax area.

The tax policy sets the overall frame for the principles which PFA acts in accordance with when we give advice to customers, make investments, and when we as a company and an employer must settle the taxes. It covers corporation tax, pension yield tax, VAT, payroll tax, employee tax, tax on investments made in Denmark and abroad as well as any other taxes that PFA settles in Denmark and abroad. In addition to this, the policy describes the expectations we have to business partners and others within the tax area.

The tax policy applies to all companies in the PFA Group, and is approved at group level by the Board of Directors in PFA Holding A/S as well as the boards in the underlying financial subsidiaries.

Tax Governance

PFA will organise the tax payments so that all regulations and practices within the relevant tax areas will be complied with in a responsible and cost-effective manner, without unnecessary administration. PFA cooperates with the Danish authorities and has entered into a so-called Tax Governance agreement with SKAT (the Danish tax authorities). The agreement is voluntary, and its purpose is to ensure a correct regular reporting and payment of taxes.

PFA withholds tax, reports to the authorities and implements new rules with regard to responsible corporate practice, responsible interpretation and application of the rules and confidentiality in relation to customer data.

PFA's tax steering committee coordinates tax-related activities and affairs within the Group, and its purpose is to ensure that new legislation and any changes of practice within the tax area are implemented in due time in an efficient manner and that already existing legislation is complied with. The committee reports to PFA's Executive Management.

Principles for responsible tax practice in the investment process

As a Danish investor, PFA pays pension yield tax in Denmark on the return on investments. The underlying activities of an investment is taxed locally in accordance with the regulations of the country in which the activities take place. Additionally, PFA works on making sure that the same yield will not be subject to taxation multiple times in order to reduce double taxation, thereby securing our pension customers a good return.

PFA distances itself from aggressive tax planning, and expects the companies in which PFA invests to demonstrate responsible tax practice in the countries that the companies operate in. PFA's policy for responsible investments and guidelines for responsible tax practice in the investment process are PFA's frame for the work on securing a responsible tax practice in the investment process. In addition to the overall principles, separate processes apply to respectively listed and unlisted investments.

As for the listed investments, PFA has a process for screening companies' compliance with the OECD taxation principles for multinational entities (BEPS) as well as a process for active ownership dialogue, which are coordinated by PFA's Responsible Investment Board (RI Board).

For the unlisted investments, PFA has a process which includes a tax due diligence involving various elements that are described more thoroughly in PFA's guidelines for implementing responsible tax practice into the investment process.

Responsible tax practice is a vital feature in the work on responsible investments. Therefore, we are working to ensure that PFA acts responsibly in terms of tax during the investment process.

The principles behind our general service and customer advisory services

PFA enters into dialogue with its customers wherever the customers meet PFA – during personal pension consultations, through letters, at My PFA, at pfa.dk and at the websites of the subsidiaries in the PFA Group.

We provide the customers with advice and information concerning tax rules that are relevant to the customers in relation to our products. The aim is to introduce the customers to information and facts about their individual situation to help them make the decision that creates the most value for them.

When we give advice to our customers, we inform about the general fiscal conditions of our products. We do not advise about the customer's total fiscal situation. Therefore, we refer the customers who need advice on their collected tax situation to SKAT (the Danish tax authorities) and/or a tax adviser.

PFA does not wish to partake in any illegal activities and disassociates itself from fraud and evasion, including involvement in money laundering. This applies to PFA's own activities as well as when taxation is included in the advice to PFA's customers.

Expectations of business partners

It is PFA's expectation that none of PFA's business partners exercise aggressive tax planning. In case we learn that one of our business partners acts in violation of this, we will enter into dialogue with the business partner with a view to changing the behaviour of the partner in question. If the behaviour is not changed, PFA may terminate the cooperation.

Transparency and reporting

PFA's tax policy is publicly available at pfa.dk. The same applies to the guidelines for implementing responsible tax practices into the investment process, and the recommendations that form the basis of our customer advisory services.

PFA reports on the progress of its work with the various elements of the tax policy in connection with the annual CSR report.

Effective date

The policy takes effect on approval by the Board of Directors and replaces the policy of 21 June 2018.

Thus approved by the Board of Directors of PFA Holding at the board meeting on 20 June 2019, and subsequently adopted by the boards of the other financial companies in the PFA Group.

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