



Our approach to corporate tax

PMI is committed to conducting business in compliance with all applicable tax laws, and it has established tax standards intended to ensure compliance with those laws. Legal obligations and societal expectations require that our transactions are based on sound tax strategies and that we act in good faith in all dealings with tax authorities and other stakeholders.

Our approach to tax is based on the following:

- We comply with local rules and regulations;
- Business decisions are not determined by tax considerations alone;
- We pay tax commensurate with the activities we perform and substance we have in a particular country;
- We are open and transparent with tax authorities in the countries where we do business;
- We do not engage in aggressive tax planning, and we do not have in place any contrived tax structures; and
- We do not operate “letter box” companies.

PMI has implemented governance arrangements which set out clear accountabilities for the management of tax compliance risks and tax planning. PMI's tax strategy is to maintain a comprehensive, effective, and practical risk management program, shared best practices, a structured and documented control framework, appropriate planning, and coordinated decision making.

To achieve this objective, we have developed mandatory practices which include:

- Roles and responsibilities: Clear definition of roles and responsibilities are formalized in each PMI affiliate in accordance with PMI's Tax Compliance Program.
- Escalation and involvement of PMI Tax Department: In accordance with PMI's policies, PMI affiliates consult with the PMI Tax Department on all important transactions, including recurring or new transactions, business structures or operations with other PMI affiliates or unrelated parties, and determine positions, exposures or actions regarding material, non-routine tax or customs matters. Where there is sufficient uncertainty over the tax treatment of a particular transaction or there is a potentially significant impact, external advice is obtained.
- Tax reporting and procedures: PMI's Tax Standards and Guidelines are designed to ensure that effective and predictable tax compliance and control measures are in place. In accordance with these policies, all tax filing obligations must be accurately completed on a timely basis and in accordance with applicable laws and regulations.
- Documentation and tax records: In accordance with PMI's policies, PMI affiliates are responsible for the appropriate creation and retention of all relevant local tax records.
- Monitoring and reviewing business activities: Business structures and transactions are continually monitored and reviewed by all PMI affiliates for tax compliance.

Dealing with tax authorities

PMI conducts all transactions on an arm's-length basis in accordance with current OECD principles, and we support greater transparency between tax payers and tax authorities.

When it is relevant and feasible, we have upfront conversations with tax authorities in the countries where we operate to minimize uncertainty on both sides. For example, tax rulings do provide a higher level of certainty not just for us but also for the tax authorities.

However, tax rulings are not the only means of securing transparency and certainty. For example, in Australia we are part of the Lead Relationship Manager Program, and in the Netherlands we joined the Horizontal Monitoring Program. Both programs promote ongoing and transparent relations between tax payers and tax authorities. In the U.K., PMI interacts in an open and real time manner with Her Majesty's Revenue and Customs (HMRC), and we conduct an annual Business Risk Review with HMRC at which key tax issues and business changes with a potential U.K. tax impact are discussed.