TAX TRANSPARENCY BENCHMARK 2018

A comparative study of 76 Dutch listed companies

Tax Transparency Benchmark 2018

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Contents

Appendices

Preface

In recent years, various leaks and papers disclosed shady taxation hideouts and unexplainable agreements with governments. Today, the debate in Dutch national politics on the abolition of a tax on dividends has everyone weighing in. But, tax is not only a public relations issue for companies to deal with. It is first and foremost a social development issue. Paying a sustainable tax rate ensures companies adequately compensate for services that are delivered by society. Therefore, it is imperative companies view taxation as an integral part of their corporate social responsibility. Without sustainable taxation, the 17 Sustainable Development Goals are out of reach.

Angelique Laskewitz
Executive Director VBDO

Over the 5 years we engage on this topic, VBDO is pleased to acknowledge the state of corporate tax transparency has improved. Starting in 2013, when we asked questions at Annual General Meetings, only a few companies referred to responsible taxation. At present, most companies communicate their policy on tax. It can be mentioned that many companies start to understand that taxation ensures fair competitive environments, equitable distribution of wealth and that externalities are compensated for. This Tax Transparency Benchmark measures and stimulates that understanding. Most of all, we hope that companies and stakeholders use this research to further sustainable taxation.

VBDO is proud to present the Tax Transparency Benchmark 2018 for the fourth consecutive year. The benchmark provides an overview of Dutch stock listed companies' fiscal transparency. This year with an updated methodology, we have asked the companies to step up their game. Companies should now show they have aligned their tax strategy with their sustainability strategy. Public information should provide information on how companies implement and execute their tax strategy. Lastly, tax transparency should benefit from digital innovation.

Gradually, companies are becoming more transparent. Nevertheless, important tax standards such as country-by-country reporting remain absent in public information. In general, the results show company scores converging. It is promising that laggards are catching up with leaders. While laggards improve, leaders in previous benchmarks score lower this year. I encourage all companies to regard the results as a new baseline that stimulates greater tax transparency.

VBDO works to make the capital markets more sustainable, we encourage our members and investors in particular, to take note of this study and guide them in their engagement activities and investment decision-making.

I want to thank PwC Netherlands for their guidance and the successful collaboration on this research. Also, I would like to thank the participating companies for their valuable contributions. Finally, I would like to thank Paul Tang for sharing his views on the topic of tax transparency in the introduction. I look forward to further the dialogue on sustainable taxation.

Angélique Laskewitz
Executive Director VBDO

Tax Transparency Benchmark 2018

Overall Ranking

Rank *	Company	Listing	Score
1-3	Aegon	AEX	23
1-3	AMG	AMX	23
1-3	Unilever	AEX	23
4	Van Lanschot Kempen	ASCX	22
5-7	NN Group	AEX	21
5-7	Rabobank	-	21
5-7	Wessanen	ASCX	21
8-11	DSM	AEX	20
8-11	ING Group	AEX	20
8-11	Vastned	ASCX	20
8-11	Vopak	AEX	20
12-14	KPN	AEX	19
12-14	Nedap	ASCX	19
12-14	RELX Group	AEX	19
15-16	Ahold Delhaize	AEX	18
15-16	a.s.r.	AEX	18
17-21	Grandvision	AMX	17
17-21	Heineken	AEX	17
17-21	Ordina	ASCX	17
17-21	PostNL	AMX	17
17-21	Shell	AEX	17
22-29	ABN AMRO	AEX	16
22-29	Arcadis	AMX	16
22-29	ASML	AEX	16
22-29	BinckBank	ASCX	16
22-29	Brunel	ASCX	16
22-29	Fugro	AMX	16
22-29	Kendrion	ASCX	16
22-29	Wereldhave	AMX	16
30-32	Flow Traders	AMX	15
30-32	Royal BAM Group	AMX	15
30-32	Wolters Kluwer	AEX	15
33-36	IMCD	AMX	14
33-36	Signify	AEX	14
33-36	TKH Group	AMX	14
33-36	Unibail-Rodamco	AEX	14
37-40	Achmea	-	13
37-40	Boskalis	AMX	13
37-40	Randstad	AEX	13
37-40	Royal Philips	AEX	13
41-42	Aalberts	AEX	12

Tax Transparency Benchmark 2018 / Overall Ranking (cont'd)

Rank *	Company	Listing	Score
41-42	TakeAway	AMX	12
43-45	Aperam	AMX	11
43-45	Beter Bed	ASCX	11
43-45	TomTom	AMX	11
46	Corbion	AMX	10
47-52	ASM International	AMX	9
47-52	ForFarmers	ASCX	9
47-52	Heijmans	ASCX	9
47-52	KAS BANK	ASCX	9
47-52	SBM Offshore	AMX	9
47-52	Sligro	AMX	9
53-54	AkzoNobel	AEX	8
53-54	ArcelorMittal	AEX	8
55-56	Altice	AEX	7
55-56	BE Semiconductor Industries	AMX	7
57	NSI	ASCX	6
58-62	Accell Group	ASCX	5
58-62	Air France KLM	AMX	5
58-62	Amsterdam Commodities	ASCX	5
58-62	OCI	AMX	5
58-62	Sif Holding	ASCX	5
63-67	Basic-Fit	ASCX	4
63-67	Gemalto	AEX	4
63-67	Kiadis Pharma	ASCX	4
63-67	Koninklijke Volkerwessels	ASCX	4
63-67	Lucas Bols	ASCX	4
68-69	Avantium	ASCX	3
68-69	Pharming Group	ASCX	3
70-75	Eurocommercial Properties	AMX	2
70-75	Galapagos	AEX	2
70-75	Hunter Douglas	ASCX	2
70-75	ICT Group	ASCX	2
70-75	Intertrust	AMX	2
70-75	WDP	AMX	2
76	Fagron	ASCX	1

* In the ranking, we have chosen to count through 76, meaning that if companies scored an equal amount of points, they share the same rank. For example, the companies ranked 1-3 are the three companies that received the highest amounts of points, all three are the number 1 companies in this benchmark and are the top three companies (all number 1 in the ranking and the best scoring three companies in the benchmark).


Добре дошли
Bienvenidos
Vitajte
Velkommen
Herzlich willkommen
Tere tulemast
Καλωσορίσατε
Welcome
Bienvenue
Fáilte
Dobro došli
Benvenuti
Laipni gaidīti
Sveiki atvykę
Üdvözöljük
Merħba
Welkom
Witamy
Bem-vindo
Bine aţi venit
Vitajte
Dobrodošli
Tervetuloa
Välkommen

Executive Summary

For the fourth consecutive year, we present the Tax Transparency Benchmark. In this report, we present the results of the 2018 edition, in which 76 Dutch companies are ranked on the level of transparency they provide on tax. The aim of the benchmark is to enhance the existing understanding of corporate tax responsibility and to inspire how to communicate comprehensively on tax matters in publicly available documentation.

Aegon, AMG and Unilever are the top scoring companies in the Tax Transparency Benchmark 2018. After consultation with an expert-jury, **Aegon** was announced the winner of the Tax Transparency Award 2018. This company is the top-scoring company in the benchmark and scored above average on all good tax governance principles as published by VBDO and Oikos in 2014. One of the complimented items was that Aegon partially published country-by-country information, such as information on FTE's and earnings before income tax. Further, Aegon provides a detailed description of how the implementation and execution of the tax strategy is monitored.

The average transparency rating of the companies in scope increased from 36% in 2017 to 39% in 2018. This is a positive trend but also shows that there is still quite some ground to cover as the average score is still below 50% of the total points. Furthermore, we are content to report that 68% of the companies provided feedback on their own results. The companies that provided feedback are mostly companies that scored higher on the benchmark.

As mentioned in last year's Tax Transparency Benchmark, the developments surrounding transparent reporting are moving fast. In this context, it was mentioned that VBDO would conduct a thorough overhaul of the Tax Transparency Benchmark methodology for the 2018 benchmark, including the feedback received from many of the participating companies. This resulted in a significant change in the methodology compared to last year, which also implies that a proper comparison with the average transparency rating of the companies in scope with last year's benchmark cannot be made. Below, we outlined the most significant conclusions and recommendations for each principle of good tax governance, as published by VBDO and Oikos in 2014. In addition, the table below provides an overview of the percentage of companies that scored per principle of good tax governance.

Good Tax Governance Principle	2018 % companies that scored per principle
A Define and communicate a clear strategy	44%
B Tax must be aligned with the business and is not a profit centre by itself	41%
C Respect the spirit of the law. Tax-compliant behaviour is the norm	54%
D Know and manage tax risks	37%
E Monitor and test tax controls	31%
F Provide tax assurance	15%
	39%

Figure 1: Percentage of companies scoring per principle in the Tax Transparency Benchmark

A. Define and communicate a clear strategy

- 78% of the companies communicate their view on tax via a tax strategy and/or tax policy.
- Half of the aforementioned companies communicate that the tax strategy is aligned with the organisational values, the business strategy and sustainability strategy.

Although most of the companies communicate their view on tax via a tax strategy and/or policy, there is room for further improvement in communicating that the tax strategy is aligned with the organisational values, the business strategy and the sustainability strategy to show stakeholders that tax is not seen as an isolated business component.

Furthermore, we would like to encourage companies to provide evidence to stakeholders that the approach to tax is discussed and approved at board level by being transparent on the sign off of the tax strategy by the (executive) board.

B. Tax must be aligned with the business and is not a profit centre by itself

- 92% of the companies provided an effective to statutory tax rate reconciliation, while 26% provided a sufficient narrative explaining the elements of the reconciliation causing the difference.
- Only 11% of the companies (partially) provided information on a country-by-country basis from which can be derived whether taxes are paid where value is created.

We noticed that only little country-by-country information is provided, while this could provide stakeholders with relevant insights in the company's scale of activity and its approach to taxes and payments to governments across the tax jurisdictions in which they operate.

Furthermore, we recommend companies to add a narrative description to the effective to statutory tax rate reconciliation to provide (non-tax specialist) stakeholders with more background on the difference between those two.

C. Respect the spirit of the law. Tax compliant behaviour is the norm

- Companies scored best on this principle.
- 92% of the companies have a whistleblower policy in place.

Although most of the companies have a whistleblower policy in place, we recommend companies including a special paragraph relating to taxes in their whistleblower policies, to ensure that employees and stakeholders can report concerns about unethical or unlawful tax-related behaviour and/or activities that compromise the company's integrity in relation to taxes.

Furthermore, to ensure stakeholders that the company's tax strategy is effectively embedded in the organisation, we recommend companies to report on training programmes in place for employees on how to deal with tax (dilemmas).

D. Know and manage tax risks

- Although 70% of the companies report on tax risks, including: financial, regulatory and/or reputational risks, only half of these companies, being 34%, describe tax risks in detail.
- Only 7% of the companies describe the role of technology for tax relevant data management.

To provide stakeholders with a better understanding of the potential and actual risks involved and how these risks are managed within the organisation, we recommend companies to elaborate more detailed on tax risks, including their tax risk appetite and risk response, in publicly available documentation.

From a tax risk management perspective, it is crucial that tax relevant data is correct and complete. Technology can be used to improve the management of tax relevant data and therefore, we recommend companies to communicate on this topic as well.

E. Monitor and test tax controls

- 30% of the companies describe how tax risks and controls are tested and monitored.
- 14% of the companies describe how the implementation and execution of the tax strategy is monitored.

By communicating on the monitoring processes, the stakeholders are informed on the proper execution of the tax strategy and whether the company is in control of tax. In this respect, we note that there is quite some ground for improvement.

F. Provide tax assurance

- Only one company (Kendrion) provides a tax in-control statement.
- 4% of the companies provide third party tax assurance to stakeholders.

Communicating about the (external) review of your tax function provides additional comfort to stakeholders. This could be done by communicating on increased board involvement (tax in-control statement), implementing checks and balances with the tax authorities (co-operative compliance program) or supervision by a third party (third party tax assurance).

1. Introduction

Tax structures usually cannot stand the light of day. Indeed, the publication of Lux Leaks, Panama Papers, and Paradise Papers illustrate that forcefully. Transparency is therefore crucial when it comes to end tax structures that obfuscate real earning of large companies. This is especially true since there is always a risk of well-paid advisors of firms finding a loophole in the rules, no matter how well they have been crafted.

Paul Tang
Member of the European Parliament (NL, S&D – Partij van de Arbeid)
Rapporteur on the Common Corporate Tax Base and the Digital Services Tax

When the principle is, that companies pay their taxes where they make profits, tax transparency is a necessity. A country-by-country overview of revenues, assets, employees and other activities, would enable public scrutiny of corporate tax policies. It is therefore a disappointing reality that the EU Member States are not able to agree on European Public Country-by-Country reporting. Despite a call from both the European Parliament and Civil society to do so. And with that fact the dark ages of corporate taxation will continue.

As rapporteur for the Common Consolidated Corporate Tax Base (CCCTB) proposals, I have been touring European capitals to gather support for this bold EU tax reform. Although an agreement on the CCCTB has not been achieved until this date, the grounds have shifted on the corporate tax discourse in Europe. Taxation remains a national competence. But despite a lack of hard power the Commission has, with support of the European Parliament, introduced some meaningful tax directives.

The codification of OECD BEPS in the Anti-Tax Avoidance Directive (ATAD), not to mention the clamp down on tax rulings and sweetheart deals both by automatic exchange of information and several high profile state aid cases. After the cases against Apple in Ireland, Starbucks in the Netherlands and Amazon in Luxembourg, these tax pirates have realised that the status quo is unsustainable.

That is the reason why we can be optimistic about the prospects of the newest initiative of the Commission. A digital service tax (DST) that will levy a tax on the digital revenue of the largest firms. Tech giants like Google and Facebook that do not pay taxes at all on their profits in Europe, will finally have to contribute as well.

At the same time, the fundamental changes are being postponed. Quick fixes, like ATAD and now the DST, will not solve the fundamental flaws of the corporate tax system. A reform, like the CCCTB, bringing corporate taxation into the 21st century would do that. True public Country-by-Country Reporting would be a game changer.

That is why this VBDO tax transparency index is an important initiative. Civil society, companies and investors alike should set the example. Politics will sooner or later follow!

Paul Tang
Member of the European Parliament (NL, S&D – Partij van de Arbeid)
Rapporteur on the Common Corporate Tax Base and the Digital Services Tax

2. Changing realities for multinationals: Tax Transparency is here to stay

Tax transparency and governance have moved up in the hierarchy of key topics and risks for the C-suite to monitor and manage. Tax has changed from being in the exclusive realm of the tax director and primarily a compliance issue for multinationals to being the much wider and more consequential strategic matter it is today. How you communicate on how and where you pay taxes and what your narrative is in terms of tax strategy and corporate social responsibility has become increasingly important. This is due to the massive increase in tax transparency requirements mandated at international, European Union ("EU") and national levels. This trend started in 2012 and it has intensified with every new revelation or scandal (depending on your perspective) of corporate tax abuses such as LuxLeaks, the Panama Papers and the Paradise Papers. However, there are quite a few CEOs, CFOs and tax directors, as well as tax advisers and others, who expect that the current transparency drive will blow over soon in this post-BEPS era. Following this topic closely on the ground in Brussels, I do not really see any let up in political will to take tax transparency even further. So which one is it for tax transparency? Are we at the beginning of the end, or at the end of the beginning?

Bob van der Made
PwC Senior Adviser EU Public Affairs (TAX)-Brussels
EU Direct Tax Group | Tax Administration Consulting

In March 2012, in the middle of the financial crisis and fiscal austerity measures, EU government leaders instructed the European Commission ("the Commission") to draft a joint EU strategy to address, on the one hand, the increasingly corrosive effects on national revenues and national tax bases of tax fraud, aggressive tax planning and abuse, and on the other hand, the growing public outrage about multinationals allegedly not paying their 'fair' share in tax at the expense of citizens and smaller, domestic businesses. On 6 December 2012, the Commission issued a comprehensive EU Action Plan. It identified 34 concrete actions for the short-, medium- and longer term where further legislative action or tax policy coordination at EU-level would add value and benefit the EU and the Member States to work together to improve the fairness and efficiency of the tax system.

In July 2013, the Organisation for Economic Cooperation and Development (the "OECD") presented its own Action Plan to the G20 on Base Erosion and Profit Shifting ("BEPS"). The OECD Action Plan contained 15 Action Points to restore trust in the international tax system, ensure international tax rules are fit for purpose in an increasingly globalised and digitalised world, and rein in tax abuse by multinationals. The aim was to reach international consensus among the 34 OECD countries and ten G20 OECD observer status countries. The OECD's work on BEPS and minimum standard setting took centre stage and heavily influenced the tax reform debate in the EU as well, and vice versa. This is also no wonder given that the Commission has a special OECD observer status and 23 out of the 28 EU Member States are OECD member countries as well.

It is important to realise that the OECD's BEPS conclusions, endorsed by the G20 in November 2015, are "soft law" i.e. recommendations. Within the EU, EU Law is "hard law" and supersedes the domestic law of the Member States. Here is the complication: direct taxation falls within the competence of the Member States but they must exercise that competence consistently with EU Law. At the same time, Member States fiercely tax compete with each other, and with third countries. There was therefore a need to find common, yet flexible, solutions at EU-level consistent with the OECD's BEPS conclusions while paying specific attention to compliance with EU Treaty freedoms and competences. EU directives have been the preferred vehicle for implementing BEPS in the EU to ensure both legal certainty and proportionality in the level of harmonisation required by the EU's Internal Market. This delicate balancing act between tax coordination and tax competition soon meant that everything relating to BEPS within the EU became extremely political. Besides combating base erosion and profit shifting, "EU BEPS" emphasises tax transparency and "fair" taxation of multinationals. It also encompasses 'unfair' tax competition within the EU and of Member States with non-EU countries through preferential tax regimes, enforcement of EU State aid rules, and the promotion of good tax governance standards within the EU and beyond.

Immediately after LuxLeaks broke in November 2014, the new Juncker Commission was tainted - only two weeks into its five-year mandate. Under intense scrutiny and pressure from Members of the European Parliament ("MEPs"), activist NGOs and social media, the Commission was forced to step up a notch and in March 2015 it kick-started a self-proclaimed "tax transparency revolution" within the EU. Tax transparency from then on acted as the main catalyst for getting new EU tax legislation adopted – in spite of the unanimity requirement in Council and also much quicker than before. Significant strides have been made in the area of tax transparency within the EU since then. The amended Parent-Subsidiary Directive tackled hybrid loan mismatches and introduced a general anti-abuse rule. The new Anti-Tax Avoidance Directives ("ATAD") I & II introduced EU-wide minimum standards for interest deduction limitation, controlled foreign companies, exit taxation, hybrid mismatches, and a general anti-abuse rule. The original Directive on Administrative Cooperation in the field of (direct) Taxation ("DAC") dating from 1977 was amended five times (!) to strengthen the exchange of information and administrative cooperation between Member States, and implemented, respectively:

- the global common reporting standard for financial account information;
- mandatory automatic exchange of cross-border rulings and advance pricing agreements;
- country-by-country reporting of income, taxes paid and certain measures of economic activity;
- new anti-money laundering rules; and
- mandatory disclosure of potentially aggressive tax planning schemes within the EU by intermediaries.

Also on the table and an absolute top tax policy priority are the EU's proposals on 'fair taxation of the digital economy', the short-term aim being to reach political agreement on an EU digital services tax at the 4 December 2018 ECOFIN Council. The Commission and the European Parliament were also able to entice the Member States into creating a ("name-and-shame") common EU blacklist of non-EU, 'non-cooperative' tax jurisdictions. At the time of writing this article, Member States were debating whether to add requiring non-EU tax havens to comply with OECD company beneficial ownership transparency standards as one of the conditions for not being sanctioned by the EU. For the Commission, the adoption of an EU Common Consolidated Corporate Tax Base system (CCCTB) remains the end game for a fair, transparent and efficient tax system.

The elephant in the room is of course that other far-reaching Commission initiative on tax transparency that hasn't made it over the EU's legislative finish line: the proposal for EU-wide public country-by-country reporting of tax for large companies ("public CbCR"). This is a proposed amendment to the EU's Accounting Directive. It aims to address public demand in the EU for more transparency on the tax strategies of 'large undertakings' and for more fairness and efficiency of the tax system post-LuxLeaks. A draft version of the proposal was first published in the media (read: leaked) on 21 March 2016. In a letter published on 5 April 2016, over 40 civil society organisations and trade unions urged the Commission to address "several worrying elements" in its proposal and in any case to include public CbCR in order to deliver on real transparency on profits made and taxes paid by multinationals. Many of these points were taken on board last-minute by the Commission and two days later it formally adopted its public CbCR proposal, exactly one week following the Panama Papers and only three months after Member States agreed to implement OECD BEPS Action 13 country-by-country reporting into EU law.

So why hasn't the public CbCR proposal made it? One of the explanations is that the Commission chose Article 50(1) of the Treaty on the Functioning of the EU (TFEU), instead of Article 115 TFEU, which is used for all direct tax directives, as the legal basis for the draft directive. The Commission considers this an accounting law issue, and not a tax issue. The choice of the legal basis is crucial from a political and procedural perspective. If the proposal is a direct tax issue, the EU-28 Finance Ministers must agree by unanimous vote in the ECOFIN Council. If the proposal is an accounting law issue, the European Parliament and Council must hammer out a final compromise text together. The public CBCR proposal has divided Member States from the start. At least seven Member States are understood to be willing (and able) to block it in the Council if it were to come to a qualified majority vote.

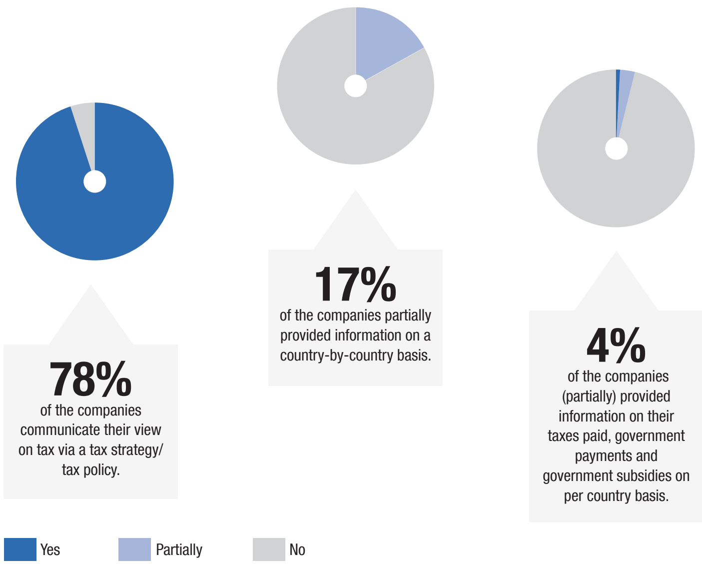

Figure 2: Tax Transparency 2018 results.

Opponents of public CbCR argue that, as a matter of principle, corporate tax reporting information should be limited to the competent tax authorities because of the complexity involved and taxpayers' right to confidential treatment of their tax position. Secondly, opponents see a clear risk when activist third parties are given access to this type of information, because this would surely lead to analysis and misinterpretation (wilful or not) followed by publication in the media, likely resulting in reputational damage to the multinational involved. Implementing public CbCR unilaterally within the EU would create an un-level playing field for EU businesses as they would have to disclose strategic information and "company secrets", unlike their non-EU competitors, which would also increase their costs of compliance significantly. Other arguments often used by opponents are that non-EU tax administrations around the world would be tempted to adjust their tax take from EU multinationals upward based on the new, insightful corporate fiscal information, or that the U.S. Administration will impose retaliatory measures.

The main argument for proponents of public CBCR is that it a) already exists for banks and large extractive and logging companies, respectively, under the EU's Capital Requirements Directive IV ("CRD IV") and the EU's Accounting Directive, and b) that it works. The banks and industries subject to these public transparency requirements do not complain and it has not led to market distortions. Another argument used is that many large taxpayers are already tax transparent by choice, or they intend to become tax transparent in the near future voluntarily. These multinationals have decided to enhance public understanding of their tax strategy as part of "good corporate citizenship" or do so proactively for reputation management purposes. Regarding "company secrets", proponents of public CbCR consider that much of the financial information and big data required is proportionate and involves providing basic information on the difference between financial and tax accounting, which can be easily dug up and published these days anyway, for instance by investigative journalists, however, in formats entirely outside the taxpayer's control. Proponents also retort that the U.S. Administration has itself introduced regulations to improve transparency in corporate risk management, reporting, exchange of information, and other areas. Furthermore, the proponents argue that more international cooperation is your best bet to reduce the risk for large taxpayers having to comply with a growing plethora of diverging, unilateral transparency regulations.

On 4 July 2017, MEPs from all political party affiliations voted overwhelmingly in favour of a considerably watered-down version of the Commission's original public CBCR proposal hoping to placate the Member States in the Council. A number of Member States, including France, Greece, the Netherlands, Spain and the United Kingdom, seem to be in favour of public CbCR. However, during an update debate on public CbCR in April 2018, i.e. two years down the road, a Council representative confirmed to MEPs that there are 'unresolved political issues' which prevent agreement in Council. Separately, EU Tax Commissioner Moscovici indicated around the same time that a deal on public CbCR would probably not be reached during the current Commission's mandate, which will end on 31 October 2019.

Nevertheless, quite remarkably, Deloitte's 2018 "OECD BEPS Global Survey", which queried multinational companies in almost 40 countries, found that 80% of them expect public CbCR to be adopted in the next few years. So at least in the perception of many corporate leaders around the world, the genie is out of the bottle on public CbCR and it's just a matter of time before it will be implemented. Given the ongoing heightened public interest in corporation tax, new high-profile revelations also seem inevitable. This means that public CbCR and issues around enhanced tax transparency and governance are likely to remain firmly on the EU's agenda in the years to come. This poses challenges as well as opportunities to internationally operating businesses and their tax functions. Multinationals would do well to be prepared and develop a clear communication strategy on tax.

3. Methodology

The Tax Transparency Benchmark is based on the principles for good tax governance[1]. Each principle is further specified into various elements and converted into measurable criteria. These measurable criteria were tested against publicly available information.

As mentioned in last year's Tax Transparency Benchmark, the developments surrounding transparent reporting are moving fast. Due to changes in reporting and given the methodology of the Tax Transparency Benchmark should reflect the latest view on transparency from the perspective of (tax) laws, regulations and societal expectations, we mentioned that VBDO would conduct a thorough overhaul of the Tax Transparency Benchmark methodology for the 2018 benchmark. In this regard, we also took into account the feedback received from many of the participating companies.

This resulted in some of the criteria being adjusted and new criteria being added to the 2018 benchmark. For example, in the areas of aligning tax with business and sustainability strategies and organisational values, and in the area of (tax) technology. As a result of the changes to the Tax Transparency Benchmark methodology for the 2018 benchmark, a comparison to previous years is not possible. Similar to last year's benchmark, to make the results as measurable and comparable as possible, a strict interpretation of the criteria was used. Furthermore, in comparison to last year's benchmark, our focus increased this year on the implementation and execution of the various criteria. This implies that we were not only looking for a statement regarding the various criteria, but also for a description of how the various criteria were implemented.

As the developments surrounding transparent reporting on tax are moving fast, we expect companies to adapt challenges and improve the quality of reporting on a continuous basis. In similar fashion, answers that were sufficient in earlier versions of the benchmark may no longer suffice for current tax transparency standards. To encourage companies to contribute to the ongoing debate about good tax governance and tax transparency, companies were evaluated on their current practices and were able to provide feedback on their assessed score.

The adjusted and newly criteria added to the Tax Transparency Benchmark methodology for the 2018 benchmark are explained in further detail below.

1 VBDO & Oikos (2014), Good Tax Governance in Transition, Transcending the tax debate to CSR.

Quick facts
76 companies
30 criteria worth 35 points in total
68% response rate

Scope

The 2018 benchmark included 76 companies. The full list can be found in in the Overall Ranking-section at page 7. The scope of the benchmark included companies listed in the Netherlands (AEX, AMX and AScX) and a selection of their non-listed peers[2]. The list of companies differs from the 2017 benchmark due to the fact that some companies entered or left the AEX, AMX or AScX in 2018.

Criteria

The guiding principles for good tax governance designed by VBDO and Oikos help to create a common language on what good tax governance could be (VBDO & Oikos, 2014). The good tax governance principles are as follows:

A. Define and communicate a clear tax strategy.
B. Tax must be aligned with the business and is not a profit centre by itself.
C. Respect the spirit of the law. Tax-compliant behaviour is the norm.
D. Know and manage tax risks.
E. Monitor and test tax controls.
F. Provide tax assurance.

Each principle is further specified into various elements and converted into measurable criteria. For example, the first principle – Define and communicate a clear strategy – consists of the elements 'communication' and 'strategy'.

Appendix B displays a comprehensive list of the criteria used in the benchmark. The adjusted and new criteria are described below in more detail. The maximum amount of points awarded is one point for each criterion, except for the questions on CbCR, monitoring of the implementation and execution of the tax strategy, and tax assurance, for which the amount of points can be two at maximum.

2 We would like to note that some of the companies researched are non-listed (financials) and part of VBDO's network. These companies are Achmea and Rabobank.

Approach

To test all criteria of the Tax Transparency Benchmark, the companies' annual reports were reviewed together with other publicly available documents (e.g., transparency reports, governance documents, strategy documents and company websites) to examine to what extent the testing criteria were addressed. For each company in the benchmark, the scores were totalled and subsequently returned to the company for feedback. Where applicable, feedback from the companies was incorporated in the results. To make the results as measurable and comparable as possible, a strict interpretation of the criteria was used.

Following the results of the study, the top 3 of best performing companies was selected. In order to reach an independent verdict on the Tax Transparency Benchmark, an expert jury was appointed by VBDO to weigh the results and determine a winner. See appendix A for the jury report.

Jury

Appointed by VBDO, the jury consisted of three members acting in their personal capacity. These are experts in the field of good tax governance from various backgrounds, including:

- Hans Gribnau, professor of tax law at Tilburg University and Leiden University;
- Victor van Kommer, director of tax services at the International Bureau of Fiscal Documentation (IBFD) and professor of tax policy at Utrecht University; and
- Michiel van Esch, Active Ownership specialist at Robeco.

New criteria in the 2018 benchmark

As mentioned, the Tax Transparency Benchmark methodology for the 2018 benchmark has been updated compared to last year's benchmark. Please find below a more detailed description of the adjusted and/or new criteria for the 2018 benchmark.

Q2. Is the tax strategy aligned with organisational values?

Organisational values define who you are, what the organisation stands for and how you behave. If the tax strategy is aligned with the organisational values, this implies that the company's culture is embedded in the tax strategy. It also indicates that the company does not see tax as an isolated business component, but as an integral part of the organisation and the business.

In this respect, we were looking for explicit statements that the tax strategy is aligned with the organisational values (i.e., that the organisational values have been taken into account). If it was explicitly stated that the tax strategy is aligned with only one organisational value, for now this was also awarded with a point. However, we highly recommend aligning the tax strategy with all organisational values.

Q3. Does the organisation describe how the tax strategy has been aligned with the business strategy?

Alignment of the tax strategy with the business strategy shows that tax follows business and that the company does not see tax as an isolated business component (but rather as part of the broader business).

As mentioned above, the increased focus of this year's benchmark was on the implementation and execution of the various criteria. Therefore, we were not only looking for a statement that the tax strategy is aligned with the business strategy, but also for a description of how these strategies are aligned.

Q7. Does the company describe how its sustainability strategy is taken into account in the company's tax approach?

Sustainability has become a more and more relevant topic over the past years. Society and stakeholders expect a sustainable approach from companies on how they do business in the broadest sense. Tax is not an exception in this regard. This means that sustainability also influences the organisational approach to tax. The Good Tax Governance in Transition report by VBDO & Oikos (2014) also explains that tax should be an integrated part of a company's corporate social responsibility policy.

In this respect, we were looking for an explicit statement that the company's tax approach takes into account the sustainability strategy.

Q8. Is the tax strategy signed off by the (executive) board?

Given the increased attention to tax by society, the topic of tax should accordingly receive increased interest on the agenda of the board. A tax strategy that is signed off by a (executive) board is important evidence that the approach to tax is discussed and approved at board level. At the same time, it reflects the tone at the top.

In this respect, we were looking for an explicit statement that the tax strategy and/or tax policy was signed off or approved by the (executive) board. For now, sign off or approval by the audit committee was also awarded with a point. However, we recommend approval and sign off by the board.

Q9. Does the company describe (its vision and) the role of technology in its tax strategy/policy?

The role of technology is a new topic in this year's benchmark. In a world that is digitising fast, including the company's vision and the role of technology in its tax strategy has become more relevant. Reason for this is that organisations need to manage tax relevant data. For this data management, technology is needed to store, gather, analyse, blend, visualise and report tax data. Data management is important for insights and strategic decision-making, control and tax reporting and compliance. Given the importance of tax data management and technology in a digitising world, it is important to have a vision and transparently communicate this to stakeholders.

In this respect, we were looking for a description of (the company's vision and) the role of technology in the company's tax strategy and/or policy.

Q14. Does the company provide information like current corporate income tax payments, accrued corporate income tax, profit before income tax, accumulated earnings and FTE's on a country-by-country basis? (In case the company is domiciled in only one jurisdiction, this question refers to this jurisdiction)

Country-by-Country Reporting ("CbCR") is an important compliance requirement as a result of the OECD's BEPS action plan (action 13) for financial years starting as from 2016. Companies that are part of a Group and with a consolidated annual turnover of EUR 750 million have to prepare and file a report that (amongst others) shows how much tax they have paid and what the base is for these taxes on a country-by-country basis. Some companies have voluntarily published these reports or similar information, e.g. as part of their corporate sustainability reporting.

Being transparent about the aforementioned information provides an insight in whether taxes are paid where value is created. If the company reported on at least two elements of the five mentioned above, this was awarded with one point. If the company reports on all five elements, this was awarded with two points. For completeness' sake, we note that the number of items relating to CbCR have been reduced in comparison to last year's benchmark.

Q15. Does the company provide on a per country basis information on its taxes paid (direct taxes and other taxes like VAT, wage taxes, etc.), government payments, and government subsidies? (In case the company is domiciled in only one jurisdiction, this question refers to this jurisdiction)

Taxes and payments to governments are important sources of government revenue, of which corporate income tax payments are only one type. Wage taxes, for instance, are a significant part of a company's contribution to the societies in which it operates. The taxes and payments to governments combined, finance vital social and economic infrastructure and public services. The relative size and allocation of taxes and payments to governments are key to the fiscal policy of most governments and to the macroeconomic stability of a country.

Country-by-country reporting can provide an insight into a company's scale of activity and its approach to taxes and payments to governments across the tax jurisdictions in which it operates. Especially, when the information of items 14 and 15 are read in conjunction, they can inform assessments about the level of taxes being paid in a jurisdiction.

If the company reported on at least one of the elements mentioned above on a country-by-country basis, the company was awarded with one point. If the company reported on all elements mentioned above, the company was awarded with two points. For completeness' sake, we note that the number of items relating to CbCR have been reduced in comparison to last year's benchmark.

Q18. Does the company have a whistleblower policy in place with regard to tax?

A whistleblower policy provides a mechanism for employees and stakeholders to report concerns about unethical or unlawful behaviour and/or activities that compromise the company's integrity, which is of high importance to ensure a culture of integrity and compliance. A whistleblower policy, encourages an employee or stakeholder to report concerns about unethical or unlawful behaviour and/or activities that compromise the company's integrity, as it informs employees and stakeholders how to escalate and respond to unethical or unlawful behaviour. At the same time, the whistleblower policy protects the whistleblower from retaliation.

A whistleblower policy can also contain a special paragraph relating to taxes, to ensure that employees and stakeholders can report concerns about unethical or unlawful tax-related behaviour and/or activities that compromise the company's integrity in relation to taxes.

For this year's benchmark, having a whistleblower policy in place is sufficient to receive a point (i.e., no specific reference to tax is required).

Q23. Does the company provide its vision on concluding tax agreements (ruling) with tax authorities?

By communicating its vision on concluding tax agreements (ruling) with tax authorities, the organisation actively informs stakeholders on this topic. This is relevant as in today's society, rulings often have a negative connotation due to its lack of transparency.

A point is received when the company's vision is communicated.

Q24. Does the company describe the role of technology for tax relevant data management?

The role of technology is a new topic in this year's benchmark. For reasons described above at question #9, organisations need to manage more and more data, including tax data. This data is transparently communicated through tax reporting (e.g. Corporate Income Tax return), and for example the annual accounts, website, etc. From a tax risk management perspective, it is crucial that this data is correct and complete on a timely basis. The organisation needs to have technology in place to manage all this data, from gathering, storage, modelling, blending, visualising, reporting and more. This is especially important as the amount of tax relevant data that has to be managed is increasing fast, partly accelerated through various tax transparency reporting requirements (e.g. CBCR, Mandatory Disclosure Regime, and more).

By explaining transparently on how the company deals with managing tax relevant data, through making use of technology, it provides stakeholders with further insight in how (advanced) this is done.

If the company explained how they make use of technology to manage their tax relevant data, it received a point.

Q25. Does the company describe how the implementation and execution of the tax strategy is monitored?

Designing a tax strategy is in first instance an exercise performed through discussions with various stakeholders, and writing on 'paper'. Once finalised, implementation and execution of the tax strategy can be a process of months or even years depending on the size of the organisation and amount of transformation the tax strategy brings with it. Having in place a process to monitor the implementation and execution of the tax strategy helps the organisation with the actual and timely implementation of the tax strategy. Such process also helps to track progress, identify required adjustments to the implementation process or even the strategy itself. Furthermore, such process helps to monitor execution and transparently communicate to stakeholders on performance, dilemmas and more. By having monitoring processes in place and communicating about them, stakeholders are informed about the importance of implementation and complying to the tax strategy for the organisation and how it ensures that the organisational behaviour is aligned with its strategic approach to tax.

By communicating on how the organisation monitors implementation and execution of the tax strategy two points can be earned.

Q26. Does the company describe how tax risks and controls are tested and monitored?

As mentioned afore, in this year's benchmark there was an increased focus on the implementation and execution of the various criteria. This implies that we were not only looking for a statement that tax risks and controls are tested and monitored, but also for an elaboration on the procedures relating to testing and monitoring activities with respect to tax risks and controls.

By communicating on these procedures, one point can be earned.

4. Results

Introduction

The Tax Transparency Benchmark aims to enhance good tax governance. Alongside encouraging organisations to increasingly improve transparency on their tax approach and tax function, it also aims to offer inspiration on how to communicate comprehensively on tax in publicly available documentation.

As described in the methodology section, each organisation has had the opportunity to provide feedback on the findings of VBDO. We are content to report that 68% of the companies provided input on their own results, but also on the 2018 updated methodology of the benchmark. Organisations that provided feedback are mostly organisations that also ranked higher on the benchmark. This could imply that those companies are more active in improving transparency on their tax approach, which we find very encouraging.

Even though the methodology of the benchmark changed compared to previous years, we still see a general trend of companies making advancements in the degree of transparency they provide on tax. The average transparency rating of the companies[3] in scope increased from 36% in 2017 to 39% in 2018.[4] This is a positive trend but also shows that there is still a lot of ground to cover as the average score is still below 50% of the total points.

The number of companies scoring a minimal amount of points (0 – 10) slightly increased to 41%, however, this is also due to the changes in the methodology of the benchmark compared to previous years. Out of these lower-scoring companies in 2018, 16% is AEX listed, 32% is AMX listed and 52% is listed on the AScX index. Of the 59% of the companies that scored 11 points or more, 44% is AEX listed, 31% is AMX listed, 20% is listed on the AScX index and 4% is non-listed.

Results per company

The independent jury, as presented in the methodology section, discussed the top 3 companies that scored highest in the Tax Transparency Benchmark 2018.

3 The 76 companies in scope will be referred to as 'companies'.

4 The average score increased from 13.4 points (out of 37) in the 2017 benchmark to 12 points (out of 35) in 2018.

Winner

From the nominees, the jury selected the winner based on the following criteria:

- Score and analysis performed by VBDO;
- Depth of tax strategy;
- Sector and the availability of a mandatory legal framework;
- Lack of known controversies; and
- Increase the level of 'show me what you are doing' rather than 'tell me what you are' to ensure that companies do not engage in a tick-the-box exercise.

The jury would like to congratulate **Aegon** on winning the 2018 Tax Transparency Award. This was a unanimous decision.

Aegon was the top-scoring company in the benchmark and scored on all principles above average. The company showcased that it proactively seeks to act in a responsible and transparent way regarding its taxation. One of the main examples was that Aegon partially published country-by-country data, such as information on FTE's and earnings before income tax on a country-by-country basis. In addition, Aegon provides a detailed description of how the implementation and execution of the tax strategy is monitored. There were no known controversies found regarding the tax behaviour of Aegon. Summarising, Aegon shows it transparently reports on all good tax principles identified by VBDO and Oikos.

Appendix A provides a more elaborate overview of the jury's considerations.

Main findings 2018 Tax Transparency Benchmark

This section provides a quantitative and qualitative explanation of the outcome of the 2018 Tax Transparency Benchmark. It should be noted that due to the changes made to the methodology (we refer to the methodology section), one-on-one comparison with last year's score is not possible for most questions included in the benchmark. Therefore, this section does not include comparisons to previous versions of the benchmark.

This section first briefly covers the overall and most significant results of the benchmark. This also includes the winner.

	2018
Good Tax Governance Principle	**% companies that scored per principle**
A Define and communicate a clear strategy	**44%**
B Tax must be aligned with the business and is not a profit centre by itself	**41%**
C Respect the spirit of the law. Tax-compliant behaviour is the norm	**54%**
D Know and manage tax risks	**37%**
E Monitor and test tax controls	**31%**
F Provide tax assurance	**15%**
	39%

Figure 3: Percentage of companies scoring per principle in the Tax Transparency Benchmark

- 78% of the companies communicate their view on tax, via tax strategies and tax policies that are publicly available.
- 71% of the companies have included their vision on the relationship with the tax authorities in their tax strategies.
- 67% of the companies explicitly mentioned that they see tax as part of their corporate social responsibility.
- 74% of the companies state in their tax strategies or elsewhere that their business operations are leading in setting up international structures and hence, that they declare profits and pay taxes where the economic activity occurs.
- 92% of the companies have a whistleblower policy in place.
- 70% of the companies report on tax risks, including financial, regulatory and/or reputational risks.
- Companies scored best on principle C: ‘Respect the spirit of the law. Tax compliant behaviour is the norm’.
- Companies scored lowest on principle F: ‘Provide tax assurance’.

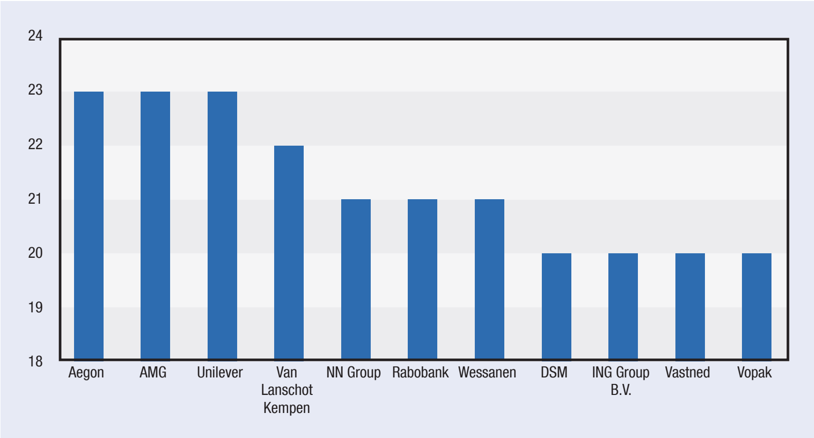

Figure 4: Top eleven companies

Results per principle

A. Define and communicate a clear strategy

An appropriate tax strategy is assessable and clearly communicated (transparent). It contains the company's vision and objectives in respect to taxation. It is aligned with the organisational values, the business strategy and the sustainability strategy. It takes stakeholders' interests into consideration, explains the company's view on its relationship with the tax authorities and describes (its vision and) the role of technology.

Top scorer
NN Group – scored 9 out of 9 points

Results

- 78% of the companies communicate their views on tax via a tax strategy and/or tax policy.
- 71% of the companies communicate their vision of the relationship with the tax authorities in their tax strategy.
- There is some room for improvement regarding communicating on the alignment of the tax strategy with the organisational values, business strategy and sustainability strategy, as respectively 36%, 37% and 37% of the companies communicate on this alignment.
- 25% of the companies are transparent regarding the tax strategy being signed off by the

(executive) board.

- 67% of the companies communicate that tax is seen as part of its corporate social responsibility.
- 38% of the companies report that the company's tax strategy, tax policy and/or the fiscal paragraph in the annual report has been part of the dialogue with company's stakeholders.
- A small percentage of the companies (7%) describe the role of technology in its tax strategy/policy.

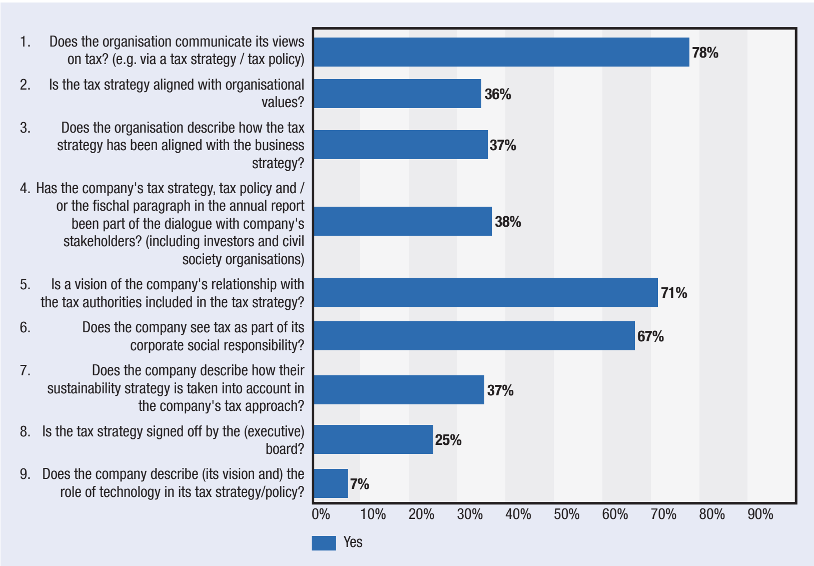

Figure 5: Scores on building block A

For principle A, we see that most companies clearly communicate their views on tax, their relationship with the tax authorities and the fact that they see tax as part of their corporate social responsibility.

Although new in this benchmark, we are pleased to see that half of the companies that communicate their views on tax also communicate that the tax strategy is aligned with the organisational values, the business strategy and the sustainability strategy. We recommend companies communicating on this alignment to show that tax is not seen as an isolated business component, but as an integral part of the organisation and as part of the broader business.

On another new item in this benchmark, we find it promising to notice that a quarter of the companies communicate that the tax strategy is signed off by the (executive) board. We recommend more companies to communicate on the sign off of the tax strategy by the (executive) board, to serve as evidence to stakeholders that the approach to tax is discussed and approved at board level. This is an important communication as it also indicates the 'tone at the top'.

Although technology is a new topic in this year's benchmark, it is encouraging to see that already 7% of the companies describe the role of technology in its tax strategy/policy.

B. Tax must be aligned with the business and is not a profit centre by itself

Tax should not be seen as an isolated business component, but as an integral part of the organisation and as part of the broader business. As such, it should not be the exclusive domain of the tax department. In principle, a company should declare profits and pay taxes where it conducts business activities and should be transparent on how this is done.

Top scorer
KPN – scored 7 out of 8 points

Results

- 74% of the companies communicate that they declare profits and pay taxes where the economic activity occurs and 54% of the companies explicitly communicate that they do not use 'tax havens' or 'non-cooperative jurisdictions' for their tax planning.
- While 92% of the companies disclose a reconciliation between the effective tax rate and the weighted average statutory tax rate, only a quarter of the companies, being 26%, provided a sufficiently detailed narrative description explaining the elements that make up the difference between the two tax rates.
- A very small percentage of the companies, being 11%, (partially) provide information on a country-by-country basis from which can be derived whether taxes are paid where value is created.

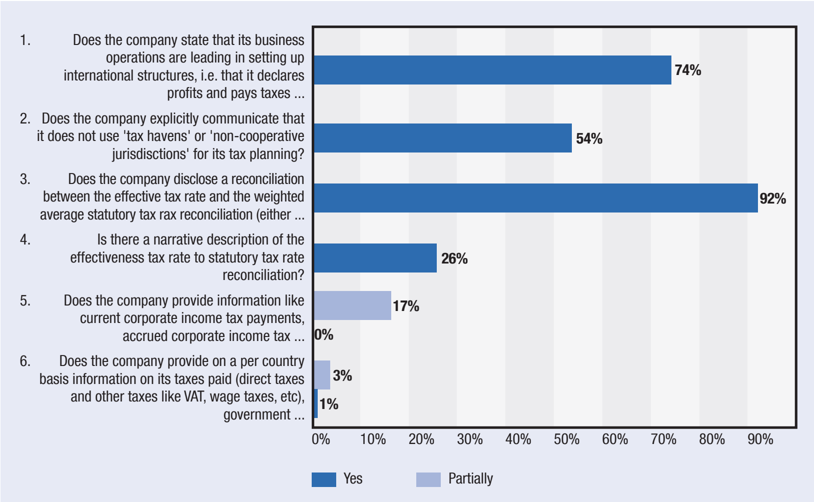

Figure 6: Scores on building block B

We find it encouraging to notice that 74% of the companies communicate to declare profits and pay taxes where the economic activity occurs. This implies that most of the companies do not see tax as an isolated business component and that tax follows business. In addition, more than half of the companies explicitly communicate not using 'tax havens' or 'non-cooperative jurisdictions' for their tax planning. However, there is room for improvement for providing country-by-country information to provide an insight to stakeholders on the company's scale of activity and its approach to taxes and payments to governments across the tax jurisdictions in which they operate. In this respect, we also refer to the article of Bob van der Made in section 2 of this report.

Finally, although almost all companies, being 92%, disclose a reconciliation between the effective tax rate and the weighted average statutory tax rate, only a quarter of the companies provided sufficiently detailed information explaining the various elements causing the difference between the two rates. We recommend adding a narrative description to this reconciliation to provide (non-tax specialist) stakeholders with more background on this difference.

C. Respect the spirit of the law. Tax compliant behaviour is the norm

A company should aim to comply with the letter as well as the spirit of the law, which entails that the intention of the legislator is also guiding to ensure tax-compliant behaviour. By definition, the spirit of the law cannot be described unambiguously. It requires discussion with internal stakeholders, including tax, legal, compliance and CSR officers, as well as external stakeholders such as government officials, tax authorities, civil society organisations and investors. Being compliant with tax laws and regulations, statutory financial obligations and international accounting standards is the core responsibility of the tax function.

Top scorers
ABN AMRO, AMG, Arcadis, Brunel, DSM, FlowTraders, ING Group, Nedap, NN Group, Rabobank, TomTom, Unilever, Van Lanschot Kempen and Vastned – scored 3 out of 3

Results

- Companies scored best on this principle.
- Almost half of the companies, being 49%, explicitly communicate that their tax planning strategy takes the spirit of the law into account.
- 20% of the companies communicate to have a training program in place on how to deal with tax (dilemmas) for their tax, legal and compliance officers.
- 92% of the companies have a whistleblower policy in place.

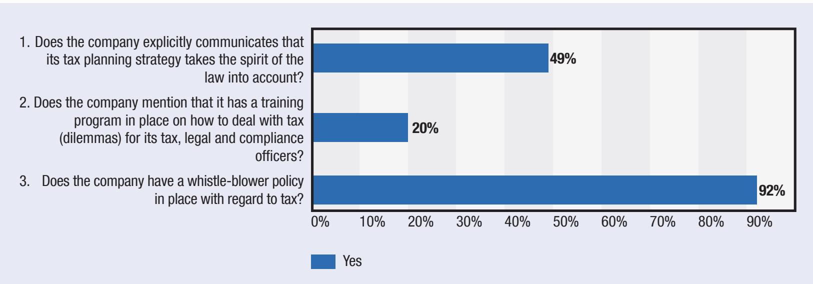

Figure 7: Scores on building block C

As part of corporate social responsibility, it is becoming increasingly important for companies to report that they also take the intention of applicable laws into account. We are pleased to see that almost half of the companies communicate taking into account the letter as well as the spirit of the law.

Taking into account the intention of the law, requires a wider look at taxation from all employees involved. A training programme is essential to ensure the company's tax strategy is effectively embedded in the organisation and employees are supported to deal with tax in an ever-changing tax landscape. By reporting on this in publicly available documentation, stakeholders receive more comfort that company employees are trained in an appropriate manner and know how to deal with these risks if they ever occur. Currently, 20% of the companies report on this, however, we recommend the other 80% of the companies to report on this as well.

To ensure that the core responsibility of the tax function of being compliant with tax laws and regulations is being met by a company, there needs to be a mechanism in place for employees and stakeholders to report concerns about unethical or unlawful behaviour and/or activities that compromise the company's integrity. A whistleblower policy, encourages an employee or stakeholder to report concerns about unethical or unlawful behaviour and/or activities that compromise the company's integrity, as it informs employees and stakeholders how to escalate and respond to unethical or unlawful behaviour. Although we have not reviewed whether the whistleblower policies contain a specific reference to tax at this stage, we find it encouraging to see that 92% of the companies have a whistleblower policy in place. In future versions of the benchmark, we will however look for this specific reference to tax.

D. Know and manage tax risks

Tax risk management is a proactive process that is demonstrably embedded within the risk management and internal control function of the company.

Top scorers
Ahold Delhaize, ING Group, Vastned, Wereldhave – scored 5 out of 6 points

Results

- Half of the companies explicitly describe their tax risk appetite.
- Although 70% of the companies report on any tax risks, including: financial, regulatory and/or reputational risks, only half of these companies, being 34%, describe these tax risks in detail.
- 42% of the companies provide a description of their response to these tax risks.
- 18% of the companies communicate their vision on concluding tax agreements (rulings) with tax authorities.
- A small percentage of the companies (7%) describe the role of technology for tax relevant data management.

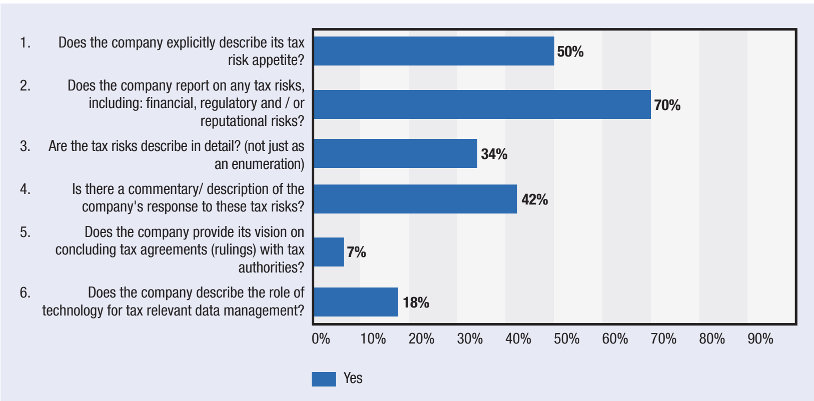

Figure 8: Scores on building block D

Organisations that report on tax risks, including their tax risk appetite and risk response, provide stakeholders with a better understanding of the potential and actual risks involved and a clear understanding of how these risks are managed within the organisation. In this respect, it is promising to see that 70% of the companies report on tax risks. However, there is still some ground to cover on the description of the response to these tax risks, as only 42% of the companies provide this information.

In addition to the above, from a tax risk management perspective, it is crucial that tax relevant data is correct and complete. The organisation needs to have technology in place to manage all this data, from gathering, storage, modelling, blending, visualising, reporting and more. This is especially important as the amount of tax relevant data that has to be managed is increasing fast, partly accelerated through various tax transparency reporting requirements (e.g. CBCR, Mandatory Disclosure Regime, and more). Therefore, we recommend companies explaining transparently on how they deal with managing tax relevant data.

E. Monitor and test tax controls

It is important that a company has a standardised approach for monitoring and testing. This allows for monitoring the proper execution of its tax strategy on the one hand, and substantiating that the organisation is in control on tax on the other.

Due to the increasing interest for and debate on tax, board interest for tax risk management is intensified. Reporting on tax risks, the management thereof and possible issues identified by means of monitoring and testing activities should be part of properly embedding tax risk management in the organisation.

Top scorers
AMG, PostNL and Unilever – scored 4 out of 4 points

Results

- Almost half of the companies, being 49%, communicate that tax risk management is included in the reporting to the audit committee and 30% of the companies describe how tax risks and controls are tested and monitored.
- 14% of the companies describe how the implementation and execution of the tax strategy is monitored.

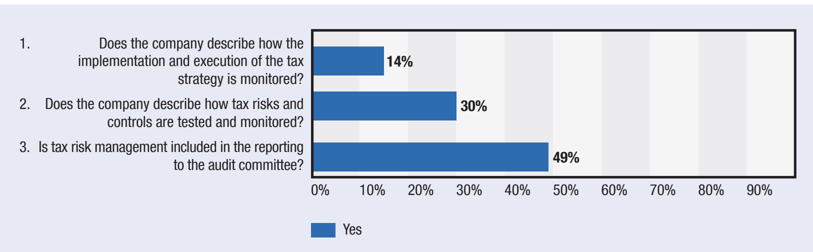

Figure 9: Scores on building block E

Although there is room for improvement, we are pleased to see that 39% of the companies provide information on how tax risks and controls are tested and monitored and that tax risk management is included in the reporting to the audit committee.

With respect to the tax strategy, we note that once the tax strategy is finalised, implementation and execution of the tax strategy can be a process of months or even years depending on the size of the organisation and amount of transformation the tax strategy brings with it. Having in place a process to monitor the implementation and execution of the tax strategy helps the organisation with the actual and timely implementation of the tax strategy. Such process also helps to track progress, identify required adjustments to the implementation process or even the strategy itself. By communicating on the monitoring processes, the stakeholders are informed about the importance of implementation and complying with the tax strategy for the organisation and how it ensures that the organisational behaviour is aligned with its strategic approach to tax. At this stage, only 14% of the companies communicate regarding the monitoring processes in place, we strongly recommend the other companies to be transparent about this as well.

F. Provide tax assurance

A company should be prepared to provide additional tax information to regulators, tax authorities and other stakeholders in order to provide a certain level of assurance regarding tax data and processes. This tax assurance should be based on the implementation and outcome of the five aforementioned principles. One way to create more certainty is through a tax in-control statement. The company provides their own tax in-control statement in which it declares to what extent de processes and operations worked and were in control. In addition, assurance could also be provided by a third party. Third party tax assurance gives stakeholders certainty about the performance of the tax processes assessed by an external party and is therefore dissimilar to the regular (tax) in-control statement.

Top scorers
KAS BANK and Wessanen – scored 3 out of 5 points

Results

- Only one (!!) company (Kendrion) provides a tax in-control statement.
- 4% of the companies, being KAS BANK, Wessanen and Wolters Kluwer, provide third party tax assurance to stakeholders.
- 39% of the companies state that they participate in a co-operative compliance program or related scheme with the tax authorities.

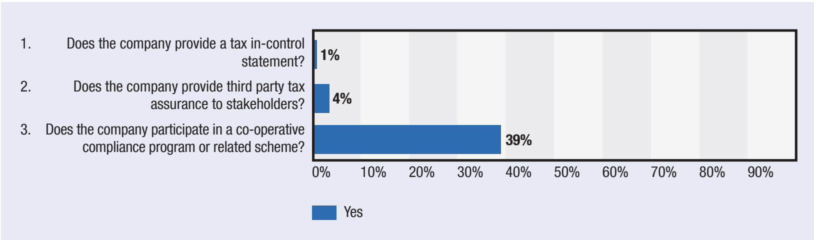

Figure 10: Scores on building block F

From a tax perspective, communicating about the (external) review of your tax function provides additional comfort to stakeholders. Whether this means increased board involvement (tax in-control statement), implementing checks and balances with the tax authorities (co-operative compliance program) or supervision by a third party (third party tax assurance), all these forms will provide additional assurance to stakeholders about the tax function.

Regarding reporting on tax in control statements, third party assurance and participation in co-operative programs, there still is a lot of room for growth. This is illustrated by the section's average of only 15% on all questions. It is unfortunate to see that this important principle of good tax governance remains underdeveloped.

5. Recommendations

As mentioned before, the methodology of this year's benchmark has changed in order to develop the benchmark along the lines of societal expectations and laws and regulations. Even though these changes have been made to the methodology of this year's benchmark, the companies have demonstrated an overall progress. Nevertheless, there is room for improvement in this rapid changing tax transparency landscape. Based on - amongst others - the results of the Tax Transparency Benchmark 2018, we have recommendations for improvement outlined below.

To companies

- Keep up with developments regarding transparent reporting on tax, including the updated methodology as described in section three of this benchmark, and continue to adapt your policy and practice to these new standards.
- Stay in active dialogue with your stakeholders to further develop your tax transparency approach and rebuild trust in taxation.
- Provide further narrative about tax processes to enhance the level of "show me what you are doing" instead of "tell me what you are doing".
- Start (or continue) with the design and implementation of internal and external tax assurance, as this remains an underdeveloped item in transparent tax reporting.
- Monitor the implementation and execution of your tax strategy.
- Do not use this Tax Transparency Benchmark purely as a tick-the-box exercise.

To legislators and tax authorities

- While this benchmark helps to improve tax transparency, proper legislation can enforce it. Legislators and tax authorities should take note from the UK where tax transparency is further regulated by law.
- Provide (regulated and) common good tax governance standards for companies. Work with international standards to provide multinational operating companies a common standard to work with across territories.
- Increase the transparency of compliance management strategies and accountability on tax affairs with companies.
- Be transparent about how rules are applied.

To NGOs

- Create an open and constructive dialogue with companies and focus on encouraging them to change. Differentiate in approach for leaders and laggards.
- Provide companies with best practices regarding responsible and transparent tax behaviour.
- Do not only focus on multinationals and tax advisers but also on tax administrations.
- Enter into dialogue with governments to promote transparency.

To tax advisory firms

- Integrate tax technical, tax governance and digital tax expertise in people and teams.
- See tax in a broader context, not only from a legal perspective.
- Promote responsible tax behaviour and support tax transparency initiatives of companies.
- Dare to have a robust dialogue on this topic.
- Apply the firm’s tax code of conduct.
- Ensure alignment of tax advice with the clients’ tax strategy.

To investors

- Design and implement a tax strategy (with criteria) that applies to a) your own organisation, b) how you structure your investments, c) your investments and d) the parties you collaborate with.
- Integrate tax in the valuation of investee companies by including it in investment and ESG policies.
- Be transparent on what you expect from your own organisation, investments and parties you collaborate with.
- Integrate tax in the valuation of investee companies and enter into a dialogue with portfolio companies on responsible and transparent tax behaviour.
- Not only test investments at the moment of investment, but also monitor adherence to your criteria or expectations during the lifecycle of the investment;
- Collaborate with stakeholders to develop common standards.

To universities

- Educate students more broadly. Provide not only tax technical knowledge, but also knowledge on tax governance and digital tax.

Appendices

Appendix A
Jury report 2018

The jury is pleased to acknowledge that although the methodology has changed, the transparency on tax has improved again. The jury noticed that the improvements are less significant for top scoring companies as opposed to the lower scoring companies. In this respect, they recommend all companies, including the top scoring companies, to continue improving transparency on tax.

Jury members
Appointed by VBDO, the jury consisted of three members acting in their personal capacity. These are experts in the field of good tax governance from various backgrounds, including:
- Hans Gribnau, professor of tax law at Tilburg University and Leiden University;
- Victor van Kommer, director of tax services at the International Bureau of Fiscal Documentation (IBFD) and professor of tax policy at Utrecht University; and
- Michiel van Esch, Specialist Active Ownership at Robeco.

Nominees
The jury discussed the benchmark as a whole, the changes in the methodology of this year's benchmark and in particular, the three companies that scored highest in the 2018 Tax Transparency Benchmark: AEGON, AMG and Unilever.

Winner
From the nominees, the jury selected the winner based on the following criteria:
- Score and analysis performed by VBDO;
- Depth of tax strategy;
- Sector and the availability of a mandatory legal framework;
- Lack of known controversies; and
- Increase the level of 'show me what you are doing' rather than 'tell me what you are' to ensure that companies do not engage in a tick-the-box exercise.

The jury would like to congratulate **Aegon** on winning the 2018 Tax Transparency Award. This was a unanimous decision.

Aegon was the top-scoring company in the benchmark and scored on all principles above average. The company showcased that it proactively seeks to act in a responsible and transparent way regarding its taxation. One of the main examples was that Aegon partially published country-by-country data, such as information on FTE's and earnings before income tax on a country-by-country basis. In addition, Aegon provides a detailed description of how the implementation and execution of the tax strategy is monitored. There were no known controversies found regarding the tax behaviour of Aegon. Summarising, Aegon shows it transparently reports on all good tax principles as identified by VBDO and Oikos.

Good practices

The jury acknowledged that **AMG** continued its large improvement in transparency on tax and became one of the top three scoring companies. The jury applauded the large effort AMG made on tax transparency.

Further, during the assessment of the benchmark, the jury identified several good practices. **KPN**, even though it is active in a limited number of countries, was mentioned as an exemplary company since it provides information about its activities on a per country basis. In addition, the tax policy of **Unilever** was mentioned as a good example of a comprehensive tax policy. Finally, **Kas Bank**, **Wessanen** and **Wolters Kluwer** were applauded for including third party tax assurance in their reporting.

Recommendations for next year

The jury has provided the researchers with some recommendations to improve the transparency on tax for companies:

Companies should provide Country-by-Country Reporting information to provide stakeholders with a better insight on the company's scale of activity and its approach to taxes and payments to governments across the tax jurisdictions in which they operate. In this respect, the jury noted that the role of technology in tax relevant data management can assist in obtaining adequate data to be reported.

Providing tax assurance is based on the implementation and outcome of the principles A through E. Third party tax assurance gives stakeholders certainty about the performance of the tax processes. As only 15% of the companies scored on the principle of Providing Tax Assurance, the jury acknowledged there is quite some ground for improvement in this respect.

The jury recommend companies being transparent regarding their business structure, i.e., be transparent on the location of your headquarters, where valued is added, etc., as this provides stakeholders with an insight in where tax risks could occur.

Appendix B

Methodology in detail

This appendix contains a comprehensive list of all indicators and their respective scores. Company assessments are based only on publicly available information. An asterisk behind a question indicates that the question is recently added in the 2018 benchmark.

A	**Companies should define and communicate a clear strategy on tax governance**	**Point**
1	Does the organisation communicate its views on tax? (e.g. via a tax strategy / tax policy)	1
2	Is the tax strategy aligned with organisational values? (*)	1
3	Does the organisation describe how the tax strategy has been aligned with the business strategy? (*)	1
4	Has the company's tax strategy, tax policy and / or the fiscal paragraph in the annual report been part of the dialogue with company's stakeholders? (including investors and civil society organisations)?	1
5	Is a vision of the company's relationship with the tax authorities included in the tax strategy?	1
6	Does the company see tax as part of its corporate social responsibility?	1
7	Does the company describe how their sustainability strategy is taken into account in the company's tax approach? (*)	1
8	Is the tax strategy signed off by the (executive) board? (*)	1
9	Does the company describe (its vision and) the role of technology in its tax strategy/ policy? (*)	1

B	**Tax must be aligned with the business and it is not a profit centre by itself**	
10.	Does the company state that its business operations are leading in setting up international structures, i.e. that it declares profits and pays taxes where the economic activity occurs?	1
11.	Does the company explicitly communicate that it does not use 'tax havens' or 'non-cooperative jurisdictions' for its tax planning?	1
12.	Does the company disclose a reconciliation between the effective tax rate and the weighted average statutory tax rate reconciliation (either numerical or in percentages)?	1
13.	Is there a narrative description of the effective tax rate to statutory tax rate reconciliation? (*)	1

14.	Does the company provide information like current corporate income tax payments, accrued corporate income tax, profit before income tax, accumulated earnings and FTE's on a country-by-country basis? (*) (In case the company is domiciled in only one jurisdiction, this question refers to this jurisdiction).	2
15.	Does the company provide on a per country basis information on its taxes paid (direct taxes and other taxes like VAT, wage taxes, etc), government payments, and government subsidies? (*) (In case the company is domiciled in only one jurisdiction, this question refers to this jurisdiction).	2
C	**Respect the spirit of the law. Tax compliant behaviour is the norm**	
16.	Does the company explicitly communicate that its tax planning strategy takes the spirit of the law into account?	1
17.	Does the company mention that it has a training program in place on how to deal with tax (dilemmas) for its tax, legal and compliance officers?	1
18.	Does the company have a whistle-blower policy in place with regard to tax? (*)	1
D	**Know and manage tax risks**	
19.	Does the company explicitly describe its tax risk appetite?	1
20.	Does the company report on any tax risks, including: financial, regulatory and / or reputational risks?	1
21.	Are the tax risks describe in detail? (not just as an enumeration)	1
22.	Is there a commentary/description of the company's response to these tax risks?	1
23.	Does the company provide its vision on concluding tax agreements (rulings) with tax authorities? (*)	1
24.	Does the company describe the role of technology for tax relevant data management? (*)	1
E	**Monitor and test tax controls**	
25.	Does the company describe how the implementation and execution of the tax strategy is monitored? (*)	2
26.	Does the company describe how tax risks and controls are tested and monitored?	1
27.	Is tax risk management included in the reporting to the audit committee?	1
F	**Provide tax assurance**	
28.	Does the company provide a tax in-control statement?	2
29.	Does the company provide third party tax assurance to stakeholders?	2
30.	Does the company participate in a co-operative compliance program or related	1

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