TAX TRANSPARENCY BENCHMARK 2022

A comparative study of 78 Dutch and 25 EU stock-listed companies

VBDO

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Contents

Appendix

Preface

VBDO has been advocating for transparent tax reporting for 11 years now. Luckily, we are not alone in pushing this topic in the public domain anymore. Tax governance codes are popping up around Europe; the EU member states will soon implement the EU Directive on Public Country-by-Country Reporting (CbCR); investors have voted on tax transparency resolutions at Amazon and Microsoft; and the Global Reporting Initiative's 207 standard is becoming more mainstream. I dare to say that our longstanding commitment to this topic in the form of our benchmark has created a positive development in both non-financial and financial tax reporting in the Netherlands. After three years, we have again updated our methodology. It now includes several new questions (e.g. monitoring, tax and ESG, value chain) that align with the current momentum. These changes have been carefully chosen after a thorough review and are partly based upon our jury's recommendations.

Angélique Laskewitz
Executive Director VBDO

For the first time since the start of our benchmark in 2015, next to the ±75 Dutch listed companies, we have included 25 companies from seven other EU countries. These listed enterprises are, in many cases, large multinationals and peers of AEX companies, and can be categorised as belonging to the following sectors: financial, FMCG, energy, technology and pharmaceutical. We are aware that the data does not provide a full picture of the state of tax transparency in the EU, but it creates a precedent for further exploration of tax transparency in the EU.

In 2015, 11% of Dutch stock-listed companies published a tax policy. Now, more than 84% do so.

'Sunlight is the best disinfectant.' This is my favourite quote from Tom Powdrill (Head of Stewardship at PIRC), one of the guest authors contributing to this report. Transparency by itself is not our main goal, but it is able to change the paradigm of tax avoidance that still haunts particular sectors and regions. In this regard, a historic victory was made with the Amazon tax transparency shareholder resolution, when Amazon lost its case against the Securities and Exchange Commission (SEC) to exclude the voting item from the ballot. Hopefully, in the near future, the SEC will promulgate a rule requiring public country-by-country reporting and start to shed light on the harsh corporate disease of concealing tax avoidance. As well as the EU, Australia is now also in the process of setting rules on public tax reporting. VBDO provided advice on this and contributed to their open consultation. Another milestone is the early adoption (1st of January 2023) of the national public CbCR directive in Romania. An important step that we can learn from.

Returning to the 2022 benchmark; this year, 86% of the NL companies in scope and 86% of the EU companies in scope disclosed a tax strategy that set out the company's views on tax transparency. Not surprisingly, all 25 AEX companies disclosed this strategy. However, 14% of the NL companies (n=78), 28% of the AEX companies (n=25) and 24% of the EU companies (n=25) provided a full disclosure of country-by-country tax information in line with GRI 207-4.

To be honest, we had not expected that an EU company would score higher than NN Group, our five times winner of the NL Tax Transparency Benchmark, particularly as NN Group scored even higher than last year due to the improvements it has made to its tax report. However, with a score of 38 out of 40, Repsol managed to score higher than NN Group due to its inclusion of ESG taxes on a county-by-country basis. Both companies deserve a special mention.

I am aware that this benchmark would not be a success without the time and effort that companies put into their responses. Again, we increased our response rate in the Netherlands (78%), and we achieved a 64% response rate for the EU companies in scope. We enjoyed the engagement calls with ambitious companies that wanted to know more about our benchmark's rationale and to dive deeper into the criteria. I look forward to engaging with these companies in the years to come. I am curious what next year will bring.

I find it especially remarkable that there are still large-cap companies in the EU that are totally untransparent on tax. Several companies have been flagged as underperforming on this matter (scoring less than 25%), including Amadeus, LVMH, Schneider Electric, Siemens, AB In Bev and Spotify. In comparison, only one company in the AEX is underperforming. Nonetheless, to end with a positive note, just under half of the EU companies scored at least 50% in our benchmark.

I would like to thank the EU Tax Observatory, PwC the Netherlands, the Global Reporting Initiative and PIRC for their excellent contributions to this report. This report has been prepared by VBDO with valuable support and assistance from our partner, PwC Netherlands. Of course, I would also like to thank the participating companies for their responses and for their continuous development on this material topic.

Our team looks forward to expanding our scope on tax transparency to a broader range of European companies in the years to come.

Angelique Laskewitz
Executive Director of the VBDO

Tax Transparency Benchmark 2022

Combined Top 11 EU+NL

Ranking	Company name	Score 2022	Country
1	Repsol	38	ES
2	NN Group	36	NL
3-5	Philips	32	NL
3-5	ING Group	32	NL
3-5	Aegon	32	NL
6	a.s.r.	31	NL
7-8	Adyen	30	NL
7-8	Allianz	30	DE
9-11	Achmea	29	NL
9-11	Shell	29	NL (UK)
9-11	DSM	29	NL

EU company ranking

Ranking	Company name	Score 2022	Country
1	Repsol	38	ES
2	Allianz	30	DE
3	Total Energies	27	FR
4	Orsted	26	DK
5	INDITEX	25	ES
6-8	Santander	24	ES
6-8	Generali	24	IT
6-8	BAYER	24	DE
9-10	AXA	23	FR
9-10	SAP	23	DE
11	Vattenfal	21	SE
12	BNP Paribas	18	FR
13	Novo Nordisk	17	DK
14-15	L'Oreal	15	FR
14-15	Sanofi	15	FR
16-17	UCB	14	BE
16-17	Deutsche Bank	14	DE
18	Adidas	13	DE
19	Amadeus	9	ES
20	Merck Group	8	FR
21	LVMH	7	FR
22-23	Schneider Electric	6	FR
22-23	Siemens	6	DE
24	AB InBev	4	BE
25	Spotify	3	SE

NL company ranking

Ranking	Company name	Score 2022	Ranking	Company Name	Score 2022
1	NN Group	36	37-40	IMCD	17
2-4	Philips	32	41-42	Boskalis	16
2-4	ING Group	32	41-42	Arcadis	16
2-4	Aegon	32	43-45	PostNL	15
5	a.s.r.	31	43-45	Ordina	15
6	Adyen	30	43-45	CM.com	15
7-9	Achmea	29	46-47	ASM International	14
7-9	Shell	29	46-47	Nedap	14
7-9	DSM	29	48-49	Brunel	13
10-11	Unilever	28	48-49	CTP	13
10-11	KPN	28	50-53	Kendrion	12
12	ForFarmers	27	50-53	Sligro Food Group	12
13-14	PROSUS	26	50-53	Just Eat Takeaway.com	12
13-14	ASML	26	50-53	Corbion	12
15-19	INPOST	25	54-56	AkzoNobel	11
15-19	Ahold Delhaize	25	54-56	Fagron	11
15-19	TomTom	25	54-56	BE Semiconductor Industries	11
15-19	Randstad	25	57	UMG	10
15-19	RELX Group	25	58-59	ACOMO	9
20	Rabobank	24	58-59	Aperam	9
21-22	Van Lanschot Kempen	24	60-61	Galapagos	8
21-22	SBM Offshore	24	60-61	Aalberts	8
23	Advanced Metallurgical Group	23	62-64	BAM Group	7
24-25	TKH Group	22	62-64	Basic-Fit	7
24-25	Heineken	22	62-64	Air France - KLM	7
26-29	Signify	21	65-68	ALFEN	5
26-29	JDE Peet's	21	65-68	VIVORYON	5
26-29	Heijmans	21	65-68	Accell Group	5
26-29	Wereldhave	21	65-68	NSI	5
30-32	Flow Traders	20	69-70	EBUSCO Holding	4
30-32	Vastned	20	69-70	ArcelorMittal	4
30-32	ABN AMRO	20	71-72	Avantium	3
33-34	Unibail-Rodamco-Westfield	19	71-72	Azerion	3
33-34	VOPAK	19	73-74	B&S Group	2
35-36	Intertrust	18	73-74	Majorel Group Lux	2
35-36	Wolters Kluwer	18	75-76	Pharming Group	1
37-40	Fugro	17	75-76	FASTNED	1
37-40	OCI	17	77	Accsys	0
37-40	Eurocommercial Properties	17	78	WDP	0

Executive Summary

We are proud to present the Tax Transparency Benchmark 2022. This year, with our updated methodology and new criteria, the average company score dropped from 50% last year to 42% this year. This does not mean that companies are performing worse, but that we have heightened the bar. And we are confident that most companies will start to progress towards 50% or higher next year. The most important change to our benchmark methodology was including ESG-related questions, and it was good to see that several EU and NL companies are already scoring well on these questions.

2022 was also the second year that we considered the GRI 207: Tax standard[1] when reporting. According to our assessment, seven out of the 78 participating NL companies (compared to six last year) have disclosed tax-related information that adheres to the GRI framework, and 10 out of the 25 EU companies have also done this.

Importantly, the adoption of the GRI standard and the EU Directive on Public Country-by-Country Reporting (CbCR) is already making an impact on the Tax Transparency Benchmark. 24% of the NL companies (40% of the AEX) now fully disclose tax information on a country-by-country basis, compared to 44% of the EU companies. This shows that large-cap companies (comparing the EU and AEX companies in scope) are comparable in their adoption of GRI 207:4. We are curious about how small and mid-cap listed equities in the EU perform.

This edition of the Tax Transparency Benchmark goes into more detail about the developments mentioned above and also highlights key current issues relating to tax transparency. Eelco van der Enden and Bronte Klein, from the Global Reporting Initiative, write about how to manage expectations from businesses, investors and stakeholders. Tom Powdrill, from PIRC, expands on the increasing investor focus on tax transparency and shares several 2022 resolutions. Giulia Aliprandri, from the EU Tax Observatory, shares key insights on the country-by-country reports of multinationals across the EU. And the final contribution is from Job Lutjens and Willemien Netjes, from PwC, who give more guidance on why data is key in tax transparency maturity. Every chapter and guest author has been carefully chosen to explore a key topic concerning tax

1 GRI 207: Tax 2019 contains three management-approach disclosures and one topic-specific disclosure on country-by-country reporting. The combination of management-approach disclosures and country-by-country reporting provides insight into an organisation's tax practices in different jurisdictions.

Disclosure 207-1 Approach to tax;
Disclosure 207-2 Tax governance, control and risk management;
Disclosure 207-3 Stakeholder engagement and management concerns related to tax;
Disclosure 207-4 Country-by-country reporting.

transparency and each contribution aims to motivate companies and their stakeholders to make further progress.

Repsol (38 points) is the highest scoring company in the Tax Transparency Benchmark 2022, based upon the entire scope of 103 companies. Repsol jumps out due to its portal on tax for stakeholders and its comprehensive tax contribution report. Repsol clearly outlines how its business model is taxed throughout the value chain. Repsol scored 38 out of 40 points, only losing two points due to the lack of a tax in-control statement by the board. There were no controversies found by the jury regarding the tax behaviour of Repsol.

NN Group (36 points, compared to 32 last year) published a total tax contribution report again this year, which features country-by-country information on FTEs, total assets, profit before tax and corporate income taxation. When reporting on its tax position, NN Group is guided by and complies with the GRI 207: Tax standard. Also, it has mature tax governance with clear monitoring of the tax strategy and control function. Finally, it provides third-party assurance to stakeholders through its total tax contribution report. There were no controversies found by the jury regarding the tax behaviour of NN Group. In summary, NN Group shows that it transparently reports on all Good Tax Governance Principles and made clear how tax can contribute to ESG issues.

While Repsol and NN Group stood out for the right reasons, we were surprised that several leading brands in the EU scored below our 25% (i.e. below ten points) tax transparency minimum threshold. These companies are, from high to low ranking:

Amadeus (technology), Merck Group (pharmaceutical), Schneider Electric (technology) , Siemens (technology), LVMH (FMCG), Spotify (technology) and AB InBev (FMCG).

One important result of our benchmark is the sectoral scores, partly influenced by sectoral directives (e.g. Capital Requirements Directive & Accounting Directive). The financial and energy companies in our benchmark score particularly high in the ranking, with an average score of 66% and 70% respectively for NL companies and 55% and 59% respectively for EU financial companies, compared to an overall average of 42%. The pharmaceutical sector only scored 22% (NL) and 39% (EU).

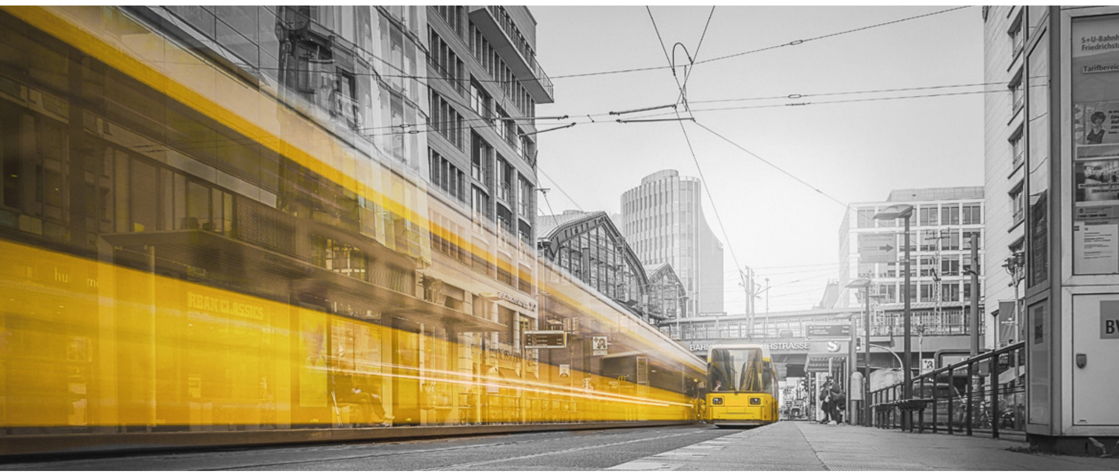
Table 1: Average score per sector

	Financial	Energy	Pharma	Technology	FMCG
EU (25)	66%	70%	22%	28%	31%
NL (78)	55%	59%	39%	48%	53%

Due to our relatively small scope and limited inclusion of sectors, it is not possible to accurately compare countries on their average score. Nonetheless, due to the fact that all the companies have a large market cap, certain countries are in the spotlight. Table 1 indicates the average score of the four countries that have four or more companies included in this benchmark, including the Netherlands, and AEX companies. We have observed a similar level of adoption of tax transparency for large listed corporates in Spain and the Netherlands as seen in Table 2. Similarly, the average score for France is close to that for Germany. A reason for the difference between these four countries might be the presence of national tax transparency laws and voluntary tax codes in Spain and the Netherlands, and the absence of these mandatory and voluntary measures in France and Germany. The countries not included were Belgium, Denmark, Italy and Sweden, as they did not have at least four companies in the benchmark.

Table 2: Average score per country

	Spain	Germany	France	NL AEX	NL
Average score	60%	42%	39%	56%	40%



Below, we outline the most significant conclusions for each of the six Good Tax Governance Principles defined by VBDO. Figure 1 shows the average score for each of the principles for 2022. We conducted an overhaul of our methodology for the 2022 Tax Transparency Benchmark; therefore, previous years' results are not fully comparable and have been left out of the graph. Next year, we will include data from previous years once again.

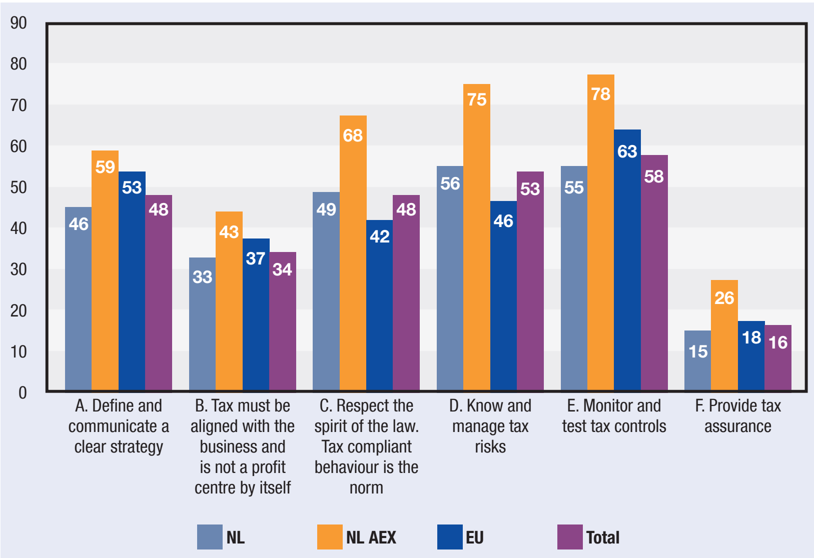


Figure 1: Good Tax Governance Principles score per principle per category 2022

Important observation:

One important point to note is the fact that again most (73%) NL companies explicitly state that their tax planning takes into account the spirit of the law. This figure is even higher for the AEX companies (80%). This was very different to our EU scope, where such a statement is much less common (32%). This is remarkable given the fact that the OECD Guidelines for Multinational Enterprises explicitly states that companies should comply with both the letter and spirit of the tax laws and regulations of the countries in which they operate.

Summary of results per principle (based on full scope, or mentioned otherwise).

A. Define and communicate a clear tax strategy

- 86% of the companies (AEX 100%, EU 88%) communicate their views on tax via a tax strategy or policy;
- 72% of the companies report how their tax strategy is aligned with their organisational values, but only 25% describe how the company actually monitors this alignment;
- 38% of the companies state that their tax strategy has been signed off by the executive board, and include how often the board reviews the tax strategy;
- The number of companies confirming that they have discussed the tax strategy with stakeholders is highest for companies in the AEX (44%), than the EU scope (32% and the full NL scope scores lowest (22%).
- 25% provide a vision of the company's relationship with the tax authorities, which is considerably higher for EU companies (40%);
- 43% of the companies describe their approach to applying for government incentives and subsidies, which is considerably higher for AEX companies (68%);
- Importantly, for the new lobbying criterion, one third of all companies already describe how their approach to public policy lobbying and/or advocacy on tax is aligned with the tax strategy.

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

- Only Repsol scored the maximum points for this principle
- 81% of the NL companies (AEX 92%, EU 88%) stated that 'the business is leading' when setting up international taxation structures;
- 79% of NL companies (AEX 92%, EU 74%) communicate that they do not make use of tax havens, but only 19% of the NL companies (AEX 28%, EU 32%) disclose their definition of tax havens and / or non-cooperative jurisdictions;
- 9% of NL companies, 36% of all AEX companies and 8% of the EU companies describe how they are taxed throughout the value chain;
- 78% of NL companies (AEX 88%, EU 80%) provide a reconciliation between the effective tax rate and the weighted average statutory tax rate and include a narrative description;
- 14% of NL companies (AEX 28%, EU 24%) provide full disclosure of country-by-country based tax information in line with GRI 207:4;
- Only Repsol provides information on a country-by-country basis on ESG related taxes.

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

- 73% of the NL and 32% of the EU companies explicitly stated that their tax planning strategy takes the spirit of the law into account, compared to 70% in 2021 (NL). The AEX achieved a score of 80%;
- 51% of NL and 32% of EU companies (AEX 68%) stated that they have a whistleblower or Speak Up policy in place that refers explicitly to tax, compared to 40% of NL companies in 2021.
- 52% of EU and AEX companies include in their tax strategy mention of a specific tax code or guideline that they follow or report by. Only 29% of the full NL scope do this.

D. Know and manage tax risks

- 16% of the 103 companies scored the maximum number of points on this principle in 2022, compared to 19% of 78 companies in 2021;
- 58% of the NL companies (EU 52%, AEX 88%) describe risks in detail, compared to 53% in 2021;
- 55% of the NL companies (EU 40%, AEX 72%) provide a commentary on the company's response to these risks, compared to 52% in 2021;
- 50% of the NL companies (EU 48%, AEX 72%) describe the role for tax relevant data management, compared to 42% in 2021.

E. Monitor and test tax controls

- 45% of the NL companies (EU 60%, AEX 68%) describe to stakeholders how the implementation and execution of the tax strategy is monitored;
- 58% of the NL companies (EU 68%, AEX 80%) describe to stakeholders how tax risks and controls are tested and monitored;
- 59% of the NL companies (EU 62%, AEX 78%) stated that tax risk management is reported to the audit committee and that the audit committee has been involved with the tax department.

F. Provide tax assurance

- NN Group, Bayer, Total Energies, AXA, Allianz, Santander, Inditex, KPN, Philips and Randstad provide third-party tax assurance;
- 12% of the NL scope (EU 16%, AEX 20%) mention the existence of a tax in-control statement;
- 44% of the NL scope (EU 36%, AEX 56%) participate in a co-operative compliance programme.

1. Understanding tax in the changing sustainability reporting landscape

Managing expectations from businesses, investors and stakeholders

Eelco van der Enden
CEO of the Global Reporting Initiative

Bronte Klein
Chief of Staff of the Global Reporting Initiative

Introducing tax as an ESG metric

Where sustainability was once was a mere ‘activistic’ topic, it has developed over the last 25 years into a key strategic issue for businesses, investors and other stakeholders. There is broad understanding that environmental, social and governmental (ESG) issues can have significant value enhancing as well as destructive effects on the socioeconomic cohesion of businesses and society. For example, climate conditions such as droughts, heatwaves, flooding and fires have destructive effects on business and society, as does social unrest created by inequality or corruption.

The interdependency between business and society can be summarised by the saying that, ‘one cannot run a successful business in a dysfunctional society.’ With the embedding of this understanding, the need for comparable ESG data has only increased over the past years. Comparable data gives insights that enable businesses, investors and society to make calculated decisions, manage and mitigate risks and measure the impact of their decisions on environmental and socioeconomic topics.

The need for comparable ESG data has resulted in the various – thus far voluntary – initiatives to seek alignment on corporate reporting on sustainability.[2]

In this section of the report, we will explain the major developments in the field of corporate sustainability reporting and in particular how it effects tax. Tax as a sustainability metric is a relatively new phenomenon. Understanding investors' and other stakeholders' needs is key for impactful reporting on tax. We will introduce relevant concepts on sustainability reporting, enabling tax professionals to embed tax (transparency) reporting in the broader context of sustainability reporting. After all, tax is a key ESG metric.[3]

1. Why report: trust and transparency

Let's start with perhaps an obvious question: why report on tax or any other topic? An important element in building trust is providing relevant, comparable and (if possible) verified data on key topics that stakeholders, including investors, want to see addressed. Reporting on these topics is about being transparent and accountable, which again leads to trust. Transparency reveals whether words have been put into action. Without transparency, it is difficult for investors and other stakeholders to assess the quality of profits, effectiveness of management, and risk profile of businesses. For decades, investors and other stakeholders have been making decisions based on information provided by businesses, and now they are also starting to do so on the basis of the sustainability information provided. To invest or not to invest. To grant a license or not. To work for a company or not, etc, etc.

Having said that, for information provided to be useful, it must be comparable. If company A and B both report their revenues, costs and profits but use different methodologies to calculate figures, it will be difficult to compare them. For exactly that reason, International Accounting Standards (IAS) – replaced in 2001 by the International Financial Reporting Standards (IFRS) – were introduced to provide investors with comparable information to enable them to make calculated investment decisions.[4]

2 See announcement of memorandum of understanding between ISSB and GRI https://www.ifrs.org/news-and-events/news/2022/03/ifrs-foundation-signs-agreement-with-gri/

3 See core metric nr. 22 in World Economic Forum. (2020). Measuring Stakeholder Capitalism: towards common metrics and consistent reporting of sustainable value creation, September 2020, http://www3.weforum.org/docs/WEF_IBC_Measuring_Stakeholder_Capitalism_Report_2020.pdf

4 See also https://www.investopedia.com/terms/i/ias.asp

Aiming for transparency without having a (single) standard on how to report information will not enable investors to make calculated decisions, since information will be incomparable.[5] It will also hamper auditors in assessing the quality of the report. Assessing is, in principle, comparing to a standard. Ranking and rating agencies who lack a common methodologies cannot properly analyse the performance of companies.[6] This principle of comparable data also applies to ESG information, hence the current drive towards the alignment of the various sustainability frameworks and reporting initiatives. But before we dive into the developments within the sustainability reporting landscape, we have to look at who the users of sustainability information actually are.

2. Who to report to: the users of public (tax) data

Broadly speaking, you can categorise the users of public data in two groups: investors and other stakeholders. Each have different objectives and consequently are in need of different types of information. It is important to be aware of that as managing one's stakeholders is about managing their expectations and satisfying their information needs.

Sometimes business do not have a choice about whether or not to report as there are legal obligations to publish certain information. The clearest example is, of course, the annual financial accounts based on International Accounting Standards. However, if businesses do have a choice on what to report, then they have to make calculated decisions based on their stakeholder management strategy, which is usually embedded within their business (communication) strategy. Let's take a look at the needs of the two groups of information users:

1. **Investors**, in general, want a good return on their investment whilst assuring that their investment is in the 'safe hands' of capable management. Investing means taking a risk that the invested capital may decrease or that the yield on the investment is not what was expected or lower than benchmarkable peers.
2. **Other stakeholders** are a much more varied group. Members of this group will use public information to assess whether their specific stakeholder objectives are being served by the business or not. This information can be related to financial performance, but it can also focus on non-financial topics. Stakeholder interest could be of an environmental or social nature, or related to business governance. Take, for example, employees, who are likely interested in job security, safe workplaces, equal pay and the reputation of the brand they

5 See also Van der Enden, E. & Klein, B. (2020), Good Tax Governance? …Govern Tax Good!, https://ssrn.com/abstract=3610858 and https://www.rijksoverheid.nl/binaries/rijksoverheid/documenten/kamerstukken/2020/12/17/essaybundel-tax-governance-code/essay-bundel-tax-governance-code.pdf.

6 See also GRI Perspective (2022). The ABC of rating agencies: an invitation for a common ground. https://www.globalreporting.org/media/vyelrdub/gri-perspective-abc-of-esg-ratings-08.pdf

work for. Suppliers could be interested in human rights measures and scope 3 emissions, while local communities might be more interested in pollution and (local) governments in anti-bribery measures.

Managing relationships with these different stakeholders is not easy, since it is about managing expectations within the framework of different so-called ‘power bases’. By ‘power base’, we mean that relationships could be based either on a ‘legal construct’ or a ‘socioeconomic construct’. Let’s take a look at both power bases:

Legal construct: Contractual obligations force businesses to provide required information. Investors have a ‘legal right’ to this information via annual accounts or any other legally obliged public disclosures. Investors can enforce decisions through various channels, for example, through using their voting rights in shareholder meetings or by imposing contractual terms and conditions on the business as a condition for providing a loan or equity.

Socioeconomic construct: While they don’t have the same legal powers, stakeholders have many other means to put pressure on a business’s conditions, development and supply chain. For example:

- Employees and labour unions can organise themselves if certain conditions are not met;
- (Local) governments can impose additional regulations upon businesses or not grant a licence to operate;
- Suppliers and clients may wish to see certain practices or operations change and often have the choice to no longer engage with the company;
- NGOs and other pressure groups can start (public) campaigns and lobby to directly demand change in behaviour, or influence politicians, regulators, potential future employees, consumers and the public’s perception of the business.

The challenge for businesses is to manage the expectations of these stakeholders since they all have a ‘power’ that can affect business operations. Of course, some stakeholders yield more power than others and you will never be able to satisfy all needs equally. Some ‘powers’ may lead to legal actions and penalties, such as with investors and regulators taking action based on the legal construct. Other ‘powers’ work more indirectly and take the form of (threats of) strikes, unfulfilled vacancies, reputational damage due to bad (social) media coverage or the non-extension of licences to operate.

To conclude, it is important to understand that it is not only the businesses themselves that decide what type of information is relevant to their stakeholders. There is a constant exchange between businesses, investors and stakeholders about what each reasonably may expect from each other. For investors and other stakeholders, this continuous exchange means that any information request must be proportional and fit for purpose. For businesses, it means that they must listen and be willing to meet reasonable demands. Both legal construct and socioeconomic construct have one thing in common: each has the potential to affect the reputation, brand value and operations of a company in a positive and negative way.

3. What to report: consolidation of the sustainability reporting landscape

Now that we understand who the different users of public data are, the question is: what to report. For financial reporting, the rules are clear: listed companies are obliged to publish annual financial accounts based on International Accounting Standards (IAS) – now IFRS, which is mandatory in 167 countries[7] or, as is the case in the USA, local Generally Accepted Accounting Principles (GAAP).

For sustainability reporting, the landscape looks a bit more diffused, but as we speak large steps are being undertaken to consolidate that landscape and to arrive at a comprehensive global baseline for sustainability reporting. To understand current developments in the global corporate reporting landscape, one must understand the concepts of 'materiality', 'enterprise value' and 'impact'.

Materiality is a key concept in the world of reporting and plays a part both in the preparation of the disclosures and in their verification by an auditor. Materiality is used to 'filter' the information that is or should be relevant to users. Information is considered 'material' – or relevant – if it could influence the decision-making of stakeholders in respect of the reporting company. What matters is not just what is meant by information but, crucially, who the stakeholders are. Are they only financial decision-makers, such as investors and financiers? Or does this group also include other parties, such as employees, suppliers, customers and communities; that is, the socioeconomic environment? The next question is around how influence must be interpreted. Is this purely financial, in terms of costs or compliance – in other words, value creation for the reporting company itself? Or must it be viewed in terms of impact on the economy, the environment and people?[8]

7 For an overview see https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/

8 See also GRI Perspective (2022) The materiality Madness: why definitions matter. https://www.globalreporting.org/media/r2oojx53/gri-perspective-the-materiality-madness.pdf

Simplified, there are two flavours of materiality:

- **Financial materiality** is about **'outside in'** – the effects that sustainability topics have on the enterprise value of the reporting entity.
- **Impact materiality** is about **'inside-out'** – the effects that a business has on environment and society.

Combined, we can call this **'double materiality'**. Financial materiality and impact materiality together under the umbrella of double materiality are the only relevant forms of materiality, with both perspectives needed in a two-pillar structure for sustainability reporting.

Combining the two aspects of materiality creates a two-pillar structure.

In November 2021, the IFRS foundation founded the International Sustainability Standards Board (ISSB) as a sister organisation to the IASB. The IASB and ISSB standards have been developed specifically for investors. These standards are based on the concept of financial materiality: the financial effects of business operations and environmental topics on the cash flows of the reporting entity. These standards therefore form our first pillar.[9]

The reality is that many of the environmental and social impacts of an organisation are or will become financially material over time. Without understanding these impacts, it won't be possible to gain a complete overview of financially material issues affecting the company. Besides, impact reporting is also highly relevant in its own right as a public interest activity for multiple stakeholders, including investors. Impact reporting discloses the impact that a business has on the environment and socioeconomic topics whilst pursuing its strategic objectives. The GRI standards are the only global standards with an exclusive focus on impact reporting for a multi-stakeholder audience, making it an essential factor in the shaping of a global comprehensive baseline for sustainability reporting. Therefore, GRI will provide the second pillar.

As well as the above standards, there are several regional regulatory initiatives, mainly in the EU and the US. The European Financial Reporting Advisory Group (EFRAG) is developing sustainability standards under the Corporate Sustainability Reporting Directive (CSRD). These European Sustainability Reporting Standards (ESRS) are based on the 'double materiality' principle of combining reporting on topics of financial materiality with reporting on the business's impacts on society. ESRS is mandatory for European-based businesses and non-European companies of

9 See also IAS 1 Presentation of financial statements https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2022/issued/part-a/ias-1-presentation-of-financial-statements.pdf?bypass=on

a certain size doing business in Europe. ESRS reports need mandatory limited assurance by an external auditor. In the US, the SEC is working on climate regulation that will go from the concept of financial materiality and focus only on environmental regulation.

GRI is closely aligned with both the ISSB and EFRAG standard-setting activities. GRI takes care of the impact reporting side of both initiatives, making GRI standards the global baseline for impact reporting.

It's just risk management

Managing sustainability topics on behalf of your organisation and society is simply long-term risk management. Risk management is a fiduciary (legal) duty of boards to their investors. Let's look at some examples:

1. A retail organisation not taking global warming into consideration in its pricing and energy strategy may be faced with investor questions about how it will deal with the need for additional cooling capacity and costs.
2. A platform organisation not taking social topics like workplace safety, equal and fair pay, diversity, the right to organise and child labour into account could face the wrath of labour organisations and employees.
3. A mining company that hasn't embedded its anti-bribery policy in its risk control framework could face litigations and criminal investigations, and lose licences when bribery risks materialise.

These three examples cover the E, S, G elements of sustainability reporting and show the interconnectivity and interdependency between financial and impact materiality.[10]

Conclusion: tax as a value driver for ESG

What does all of this have to do with tax? Why would investors and other stakeholders be interested in tax information?

The fact that NGOs have been beating the drum for increased tax transparency is well known, but over the last few years, much of the pressure for increased tax transparency is coming from investors. Investors want to know that the companies in which they invest have a control framework for tax in place that enables the organisation to meet all its legal tax requirements.

10 Hence our problems with legislation in some States in the United States of America that seem to want board rooms to reduce risk management on important topics, thereby harming investor interest. This is an infringement of the fiduciary and legal duties that Boards have towards their investors and thus malpractice, leading to legal liabilities for board rooms. See for example https://www.ft.com/content/68bf29db-2d32-403d-bad2-d38b7a7e6ea3

Besides, tax data provides insights into the quality of the profits. Investors are putting pressure on today even to the extent of tabling resolutions at general shareholder meetings as happened with Amazon this year. We're also seeing investors demanding that businesses start to report their tax information under the only global reporting standard on tax: GRI 207.[11] It is important to note that the demand for more tax data goes beyond mere transparency for transparency's sake.

Nowadays, most business strategies include at least some ESG topics and companies subsequently report on whether their endeavours have resulted in them achieving their strategic objectives. Not taking tax into account may trigger questions. Tax is an ESG metric, and should as such be reported on, unless one has decided that tax is not an ESG metric or is not material to the business. It could very well be that tax is indeed not material from a financial point of view (outside-in). But is that also the case when looking at the impact that tax has on society (inside-out)? If a company subscribes to the concept of double materiality, it would be difficult to explain to stakeholders that this concept does not apply to tax. Using arguments like 'costs of compliance', 'company secrets', 'information too difficult to understand for stakeholders' or 'competitive disadvantage' will only trigger more questions by investors and other stakeholders now that an increasing number of large businesses are voluntarily reporting more detailed (per country) tax data.[12]

Many stakeholders – and investors in particular – consider tax to be material. Tax information is increasingly part of the investment risk analysis process. It is now also frequently considered in ESG rankings. Last year, Norway's sovereign wealth fund dropped several investments due to lack of tax transparency. All this clearly shows that modern society does not see tax as a short-term cost factor only, but as an instrument to create socioeconomic cohesion, environmental value and long-term prosperity.[13] The introduction of GRI 207 in 2019 meant that there is now a global standard for tax transparency. Tax is now a topic that not only encompasses legal and financial issues, but also governance, corporate social responsibility and stakeholder engagement. GRI 207 emphasises that achieving the SDGs is not possible without including tax as a sustainability topic, with an appropriate standard to report against. Tax is an 'engine for good' and an important condition for achieving long-term sustainable value creation.

11 See Financial Times (2022). Amazon under investor pressure. https://www.ft.com/content/6e8a3223-40c8-43ba-83f4-738a88779df5

12 See for example the most recent tax transparency report for the DACH region by PwC Germany, Austria and Switzerland https://pages.pwc.de/gri-207-dach

13 See also GRI Perspective (2022) We need to talk about tax. https://www.globalreporting.org/media/amyaycyg/gri-perspective-we-need-to-talk-about-tax.pdf

2. Tax transparency: a question of data

Job Lutjens
PwC the Netherlands

Willemien Netjes
PwC the Netherlands

The results of the 2022 Tax Transparency Benchmark show an overall upward trend in the tax transparency of listed companies. For instance, 86% of the (Dutch and European) companies that were examined published a tax strategy or similar report, and 29% of the companies now provide tax information on a country-by-country basis, compared to respectively 84% and 19% in last year's benchmark. These results show companies' commitment to providing more insight into their tax policy and tax contribution, and indicate that they recognise that tax cannot be separated from the broader ESG conversation. A company's approach to tax is no longer just a question of compliance – it is now a powerful indicator of how a business views its role in society and its commitment to its purpose.[14]

Different drivers can explain the upward trend of tax transparency. On the one hand, legislative developments such as the EU Directive on Public Country-by-Country Reporting require companies to report an extensive country-by-country overview on key financials, FTEs and corporate income taxes for countries within the EU and non-cooperative jurisdictions outside of the EU. Similarly, the Corporate Sustainability Reporting Directive (CSRD) requires large public interest companies to report certain non-financial information, with a specific focus on ESG topics.

14 https://www.pwc.com/gx/en/services/tax/publications/tax-is-a-crucial-part-of-esg-reporting.html.

This may inevitably have an influence on companies' transparency regarding taxes, as the CSRD and the EU Taxonomy Minimum Safeguards[15] explicitly refer to the OECD Guidelines for Multinational Enterprises, which includes a chapter on taxation and moreover requires companies to demonstrate how their tax strategy and ESG goals are aligned.[16] Another recent key development, showing that other legislation is also a driver for transparency, is Pillar II, under which companies will be required to collect data to calculate their effective tax rates.

On the other hand, the list of voluntary reporting initiatives has continued to expand, such as GRI 207[17],the B-Team Responsible Tax Principles[18] and the WEF Metrics[19]. These are guidelines that companies can endorse and that specify how to report information on specific (non-financial) tax topics such as accountability, governance, the relationship with tax authorities and the approach towards stakeholders. The most recent Dutch development on tax is the introduction of the VNO-NCW Tax Governance Code, which is based on the aforementioned initiatives yet is considered more ambitious as it requires companies to provide data on the use of tax incentives and tax havens, and requires global country-by-country reporting. Although these initiatives are not mandatory to implement, almost 50% of the companies examined in the TTB2022 voluntarily endorse at least one of these initiatives.

While there is demand from regulatory bodies as well as from society to increase tax transparency, becoming more transparent is not an easy process and it requires significant attention and investment. We see that an increasing number of European companies indicate willingness to report on certain issues, but they simply do not have the information and relevant data available. Tax transparency is not just a question of willingness, but also a question of operational readiness.

The first question that a company needs to ask itself is which information is required to meet the reporting obligations. The legislative and voluntary initiatives require a company to obtain a lot of financial and non-financial data, such as total taxes paid per country and effective tax rates, information on tax risks and tax risk management, and concrete examples of how the company approaches certain tax and ESG issues. Indeed, this can be a long list of different items, the meaning of which might be ambiguous.

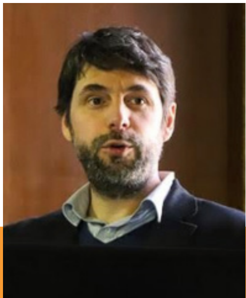
15 Regulation (EU) 2020/852 (Taxonomy) on the establishment of a framework to facilitate sustainable investment, article 18.
16 OECD Guidelines for Multinational Enterprises; and Platform on Sustainable Finance - Final Report on Minimum Safeguards (October 2022).
17 https://www.globalreporting.org/standards/media/2482/gri-207-tax-2019.pdf.
18 hhttps://bteam.org/assets/reports/A-New-Bar-for-Responsible-Tax.pdf.
19 https://www3.weforum.org/docs/WEF_IBC_ESG_Metrics_Discussion_Paper.pdf.

The second question concerns where companies can find this different data. It might be unclear in which systems the data is stored or that manual processes are needed. Even when the data is available, it can be a challenge to extract the data from systems in a meaningful way, and additional transformation and enrichment of the data might be necessary. This is where technology meets people and where the global tax department can take the lead in connecting the dots: which departments are responsible for which data. It is true this requires extra effort from the different (tax) teams and requires cooperation on the topic of tax and sustainability transparency. But this extra mile does not only pay off from an external perspective. Like Maurice Kuiper, Tax Director of Philips, explained last year during his round table speech on tax transparency, he got to know the people within his organisation better than ever through the process of becoming tax transparent.

Once the data has been made available, it should be made clear how it aligns with the company's tax strategy. The data should be accompanied by a narrative that includes concrete examples of, for example, tax dilemmas and how the company deals with these. Clearly, this is a complex process of finding relevant data from across an organisation, using different tools and technologies. This year, 51% of TTB22 companies acknowledge in their tax strategies that technology plays an important role in tax data management, up from 40% in 2021. We expect that this number will continue to grow in the next few years.

As new tax transparency reporting and compliance regulations require data in a different format than for existing processes, companies need to develop a roadmap with respect to 'data, process, technology and people'. We encourage companies to develop a clear data acquisition strategy, and we invite tax directors to explore the financial reporting process in their company and find a way to streamline this with tax and ESG reporting processes. All in all, although tax reporting may be a challenging process, we are certain that companies can improve their corporate transparency with the help of a clear data strategy and by doing so, contribute to a better understanding of their business from an ESG perspective.

3. Increasing investor focus on tax transparency



Tom Powdrill
Head of Stewardship at
PIRC limited

Tax transparency has always been an issue that has interested much of the public, with individuals and companies found to be avoiding tax often the object of public opprobrium. But for the first time, there is growing investor disquiet about companies engaging in such practices. Investors are increasingly viewing a lack of tax transparency as a financially material risk to returns.

Whereas once investors may have looked favourably on (or turned a blind eye to) tax avoidance with the idea of maximising returns, the prevailing mood in the investor community is coming around to the idea that tax avoidance is harmful to the company's long-term operations, reputation and returns.

This year alone, there have been shareholder resolutions successfully filed at Amazon, Cisco and Microsoft. The former was appealed by the company, before the US Securities and Exchange Commission (SEC) sided with investors and made history; it was the first time that the SEC had upheld a tax transparency shareholder resolution.

That vote garnered the support of 21% of independent shareholders, whilst the SEC decision set a precedent that both Microsoft and Cisco took on board: that denying shareholders a democratic say over the tax risks to their investments will no longer be acceptable.

It is worth spelling out the extent to which non-disclosure of tax information and tax avoidance can be material risks. Governments around the world are taking a sterner line on tax avoidance, with an unprecedented agreement by more than 125 OECD nations, representing more than 90% of global GDP, to come into effect by 2024. All signatory jurisdictions will introduce a minimum 15% corporation tax, as well as taking action to cut down on profit shifting between locations. In 2018, French energy company Engie was fined €120 million for shifting profits to Luxembourg, whilst the Australian government recently announced moves to mandate public country-by-country reporting (CbCR) by large multinational companies.

The direction of travel is only heading in one direction; investors deserve to know whether companies have based their financial models on an aggressive tax policy that could be vulnerable to changes in national and international laws.

A lack of disclosure around a company's tax affairs may also lead to negative reputational damage. This has the potential to hit profits by turning off consumers, as well as throwing additional challenges in the way of recruiting staff – particularly given the tight labour market in many nations at the moment.

An even more pertinent hit may come in the form of government pressure and public outcry combining. To give an example, Microsoft has multiple high-value contracts with governments around the world that in no small part contribute to significant shareholder returns. If the company's reputation for tax opacity grows, then accountable governments may decide to cancel or not renew these contracts. It is certainly not a good look for a company to withhold taxes on profits made in a country and then receive millions from the government.

On a more macro level, tax avoidance will ultimately hit returns in the long run. With economies stymied by Covid and lockdowns, not to mention the societal regression, as well as rampant inflation, there is a need for government support. But if large multinational companies fail to stump up their fair share on profits made in these countries, then authorities find themselves with a not insignificant gap in public finances. There are already fears of recession in many countries, and companies generally don't do well when the economy struggles. The length of recession and amount of damage done may very well depend on the extent to which governments support their citizens, but if governments don't have the resources to assist their citizens, companies may find themselves foregoing returns far longer than would otherwise be the case.

The need for greater tax transparency should not be in doubt. What that involves in practice is generally agreed upon. The Global Reporting Initiative (GRI) Tax standard is seen as the gold standard for companies to aspire to. It requires the publication of a tax strategy (including an approach to regulation and compliance), the publication of a tax governance and control framework, the publication of an organisation's approach to stakeholder engagement, and most importantly, public CbCR.

GRI 207: Tax asks that companies break down their tax affairs on a country-by-country basis, as opposed to the aggregated data that the OECD asks for and which too often prevails amongst companies who prefer to provide the bare minimum. CbCR gives investors a far greater understanding of the nature of a company's tax policies, providing them with more detail as to the risk of their investments.

For an example of why public CbCR would be helpful to investors, Microsoft again offers an insight. Microsoft does not disclose revenues or profits in non-US markets, and foreign tax payments are not disaggregated. This makes it much more difficult for investors to evaluate Microsoft's risks from taxation reforms, or to assess whether the company is engaged in responsible tax practices that ensure long-term value creation for the company and the communities in which it operates.

But a recent report by the Centre for International Tax Accountability and Research (CICTAR)[20] traced 'billions of dollars in financial flows between [Microsoft subsidiaries] that have zero employees and claim residency in known secrecy jurisdictions including Luxembourg, Singapore, Bermuda, Ireland and the Netherlands.' This includes an Irish subsidiary, which in 2020 recorded profits of $315 billion, despite having no employees.[21]

Sunlight is the best disinfectant. It is vital that shareholders have all the relevant tax information at their disposal, so that they can make informed decisions as to the long-term viability of the companies in which they invest. Failure to disclose is a dereliction of duty on the part of the companies to their shareholders, and refusal to report in line with the GRI 207: Tax standards will only put companies on a potentially ruinous path – and investors won't stand for that.

20 https://cictar.org/microsoft-tax/
21 https://www.theguardian.com/world/2021/jun/03/microsoft-irish-subsidiary-paid-zero-corporate-tax-on-220bn-profit-last-year

4. Tax transparency by multinationals: disclosure of country-by-country reports

Giulia Aliprandi
Research Economist at the
EU Tax Observatory

Transparency about companies' tax contributions around the world is becoming an essential component of corporate strategies. The general public and investors are requesting more transparency; lawmakers and regulators are increasingly requiring it; and standard setters are designing reporting frameworks that everyone can follow and understand.

In this context, country-by-country reports (CbCRs) play a crucial role as a new source of information on the activities of large multinational companies. CbCRs provide, for the first time, a comprehensive and detailed overview of the country-level distribution of key tax-related financial items, such as profit, taxes and activities. While such information can be complex to interpret, it provides a useful starting point for investors and other stakeholders to determine whether tax paid is indeed aligned with revenue generation or whether the company may be engaging in profit shifting and other aggressive tax-planning practices.

The two main initiatives that have accelerated the adoption of CbCR are led by the public multilateral OECD and the GRI. The OECD minimum standard described in BEPS Action 13 requires large multinationals to privately disclose CbCRs with the appropriate tax authority starting from the fiscal year 2016[22], while GRI 207: Tax sets expectations for the voluntary public disclosure of CbCRs alongside a tax strategy and governance description.

Despite its usefulness and pressure for increased transparency, CbCR data, especially at the multinational level, is still not easily accessible. To date, this data is publicly available in aggregated and anonymised form as published by the OECD for the year 2016 and 2017 or for US multinationals by the Internal Revenue Service covering years 2016 to 2019. One exception are the CbCRs published by European banks following Capital Requirements Directive IV, which are collected and published for the largest financial institutions by both the EU Tax Observatory and Transparency International.

Currently, an additional data source is still not exploited: voluntarily published CbCRs. These reports are scattered throughout annual reports, sustainability reports and other documents, and are not collected in one single place. The EU Tax Observatory Public CbCRs database standardises and compiles the reports[23] of over 100 multinationals into a single dataset providing a new public resource to study and compare different multinationals. This section will provide some insight from this new data source.

How many CbCRs could we find?

Although enhanced reporting at a country-by-country level remains largely voluntary, a number of companies already disclose this information publicly, and the number of companies doing so has been steadily increasing.

As can be seen in Figure 2, 90 reports have been collected relative to the fiscal year 2020, compared with fewer than 20 for fiscal year 2018. As reports are published with a two-year lag, more reports are expected to be published for 2021.

We expect the voluntary release of CbCRs to continue rising in the coming years, especially in light of the latest developments at the institutional level, such as the EU Directive on Public CbCR 2021/2101, investor demands and corporate governance recommendations.

22 Implementation varies by jurisdiction, for further details https://www.oecd.org/tax/automatic-exchange/country-specific-information-on-country-by-country-reporting-implementation.htm

23 The database focuses on CbCRs following the OECD and GRI reporting standards.

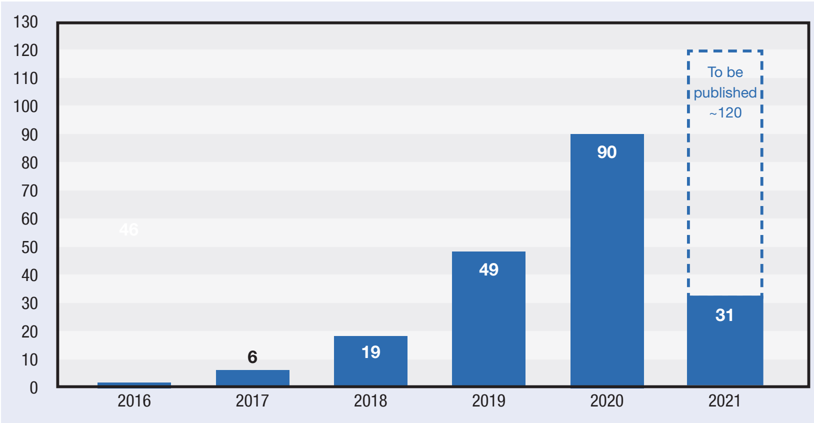


Figure 2: Reports published per fiscal year

Source: Public CbCRs database, EU Tax Observatory (2022)

Note: The number in each column refers to the number of CbCRs collected for the relevant fiscal year.

In which countries are CbCRs disclosed more frequently?

With minimal regulation and few reporting standards for this issue, the extent of public disclosures by corporates varies significantly across countries. Companies headquartered in Europe have by far the most comprehensive disclosures across tax policies.

As can be seen in Figure 3, the majority of CbCRs included in the database were published by multinationals headquartered in Italy, Spain, the United Kingdom and the Netherlands. This might be related to recent changes in disclosure requirements. In Italy, before the adoption of Directive 2014/95/EU, non-financial information reporting had been largely voluntary (with the exception of banking). The transcription of the directive into national law with the Legislative Decree No. 254/2016 made mandatory the disclosure of non-financial and diversity information related to environmental issues, social and employee-related matters, respect for human rights, and anti-corruption and bribery matters.

In Spain, Law 11/2018.[24] amended the applicable rules on the disclosure of non-financial and diversity information, introducing a requirement that Spanish companies disclose tax information as part of their non-financial reporting, in particular: profits earned in each country, tax paid on profits and public subsidies received.

When it comes to the United Kingdom, progress on tax transparency has been accelerated by the 2016 UK Finance Act, which required UK companies to disclose their tax strategy in relation to UK taxation. Under this legislation, international companies with sub-groups in the UK are also required to report this information. Large companies are required to publish their tax strategy.

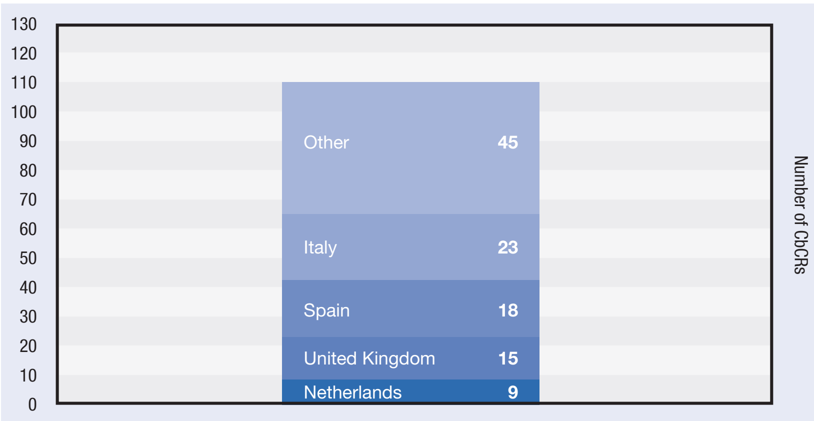


Figure 3: Multinationals by headquartered country[25]

24 https://www.boe.es/boe/dias/2018/12/29/pdfs/BOE-A-2018-17989.pdf
25 Public CbCRs database, EU Tax Observatory (2022)
Note: The numbers of multinationals disclosing a CbCR for the relevant HQ country.

In which sectors is CbCR disclosure more frequent?

There is significant variation in CbCRs disclosure across sectors. Some of these disclosures have probably been driven by sector-wide initiatives. In extractives industries, initiatives such as Publish What You Pay and the Extractives Industries Transparency Initiative (EITI) have long focused on transparency around payments to governments. This might explain why the mining & extraction; chemicals, petroleum, rubber & plastic; and utilities sectors account for a large portion of the reported CbCRs, as show in Figure 4.

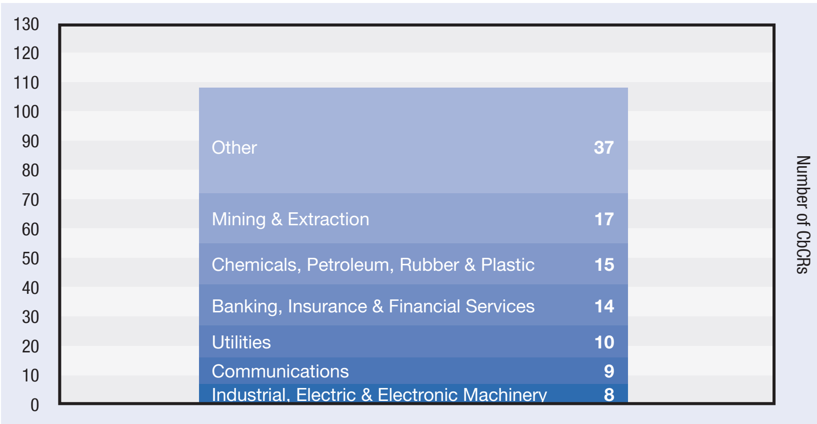


Figure 4: Multinationals by sector[26]

26 Public CbCRs database, EU Tax Observatory (2022)
Note: Number of multinationals disclosing a CbCR for the relevant sector. 'Banking, insurance and financial services' mainly refers to assets management and investment firms.

Other sectors might be exposed to specific tax risks driven by the nature of their business models. The financial sector has been under greater scrutiny since the financial crisis, and the technology sectors are facing greater tax scrutiny as their reliance on intellectual property assets and exposure to digitalisation could be exploited for aggressive tax planning.

How complete are the CbCRs published?[27]

As disclosure of CbCR information is still voluntary, there is some variation in the amount of information disclosed by companies. In almost all reports, companies publish profit and one tax variable (either tax paid or accrued). It is, however, rare for multinationals to publish more complete reports that include all the variables required by the OECD standard. In our sample, only 11% of all companies publish according to this standard. On the other hand, it is often the case that companies include all the variables required by GRI 207; almost half of all the companies included in the sample follow this standard.

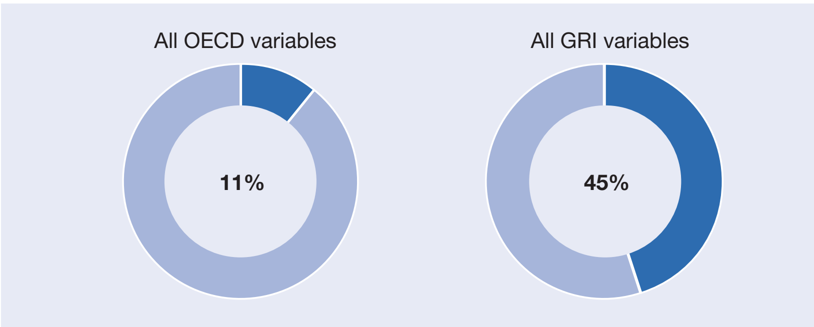


Figure 5: OECD and GRI variables

27 Public CbCRs database, EU Tax Observatory (2022)
Note: Percentage of CbCRs included in the sample that disclose all OECD variables and all GRI variables. The two standards require the same set of variables, with the exception of 'accumulated earnings' and 'stated capital', which are not required by the GRI.

5. Methodology

The Tax Transparency Benchmark 2022 is based on the benchmark methodology for Good Tax Governance Principles designed by VBDO and Oikos in 2014.[28] VBDO intends to update the benchmark methodology questions every three years. The benchmark was introduced in 2015 and revised in 2018. In 2022 (after four years), we reviewed and thoroughly overhauled the Tax Transparency Benchmark's methodology to better reflect the latest status, trends and developments on tax transparency, including new tax laws, regulations and ESG expectations. The companies are assessed against the measurable criteria using publicly available information for the relevant financial year.

This update resulted in an adjustment of some of the criteria, stricter assessment (from show me to tell me) and the addition of new criteria. Questions that were added include those on ESG and tax; how the company monitors the alignment of its tax strategy with the organisational values and overall strategy; tax havens; government incentives; advocacy; and tax in the value chain. This is the first year using our new set of benchmark questions. VBDO has received feedback on the materiality of the new criteria and will use this to strengthen the 2023 benchmark methodology. VBDO encourages companies to adapt to the changing environment and continuously seek to improve the quality of their reporting. To learn from each other, we have this year included an open question that companies could answer by naming their tax transparency best practices.

In order 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. We are pleased to report that 78% (compared to 77% last year) of the companies made use of this opportunity. This is the highest ever feedback score. We have found that companies that provide feedback tend to also rank higher on the benchmark. This would imply that these companies are more active and inclined to improve the degree of transparency with regard to their tax approach, which we find very encouraging.

Quick facts
78 companies (AEX, AMX, AScX)
25 companies from EU region
35 criteria worth 40 points in total
78% feedback response rate in NL, 64% in EU

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

Scope

The 2022 benchmark included 78 Dutch companies and 25 EU companies from seven countries (Belgium, Denmark, France, Germany, Italy, Spain, Sweden) across five sectors (pharmaceutical, technology, financial, FMCG, and oil & gas). The full list can be found in the overall ranking section at the beginning of this report. The benchmark focused on companies listed in the Netherlands (AEX, AMX and AScX) and also included two of their non-listed peers.[29] The list of companies differs from the 2021 benchmark due to the fact that some companies entered or left the AEX, AMX or AScX in 2022.

Criteria

The Tax Transparency Benchmark is based on the guiding Good Tax Governance Principles designed by VBDO and Oikos[30] that were created to help create a common language on what good tax governance looks like. 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 in 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 separated into various elements and converted into measurable criteria. Appendix A provides a comprehensive list of these measurable criteria. The standard maximum number of points awarded for each criterion is one point. However, for the questions on country-by-country reporting; monitoring the implementation and execution of the tax strategy; and tax assurance, a maximum of two points can be allocated.

Approach

In order to be able to assess companies on all the criteria of the Tax Transparency Benchmark, the companies' annual reports were reviewed together with other relevant and publicly available documents (e.g. the tax strategy, the sustainability report, a transparency report, governance documents, strategy documents and so on). For each company in the benchmark, the scores were aggregated and subsequently returned to the company to allow feedback. Where applicable, the feedback from the companies was incorporated in the results. To make the results as measurable and comparable as possible, a strict definition of the criteria was used.

29 Two of the participating companies are non-listed (finance) and part of VBDO's network. These companies are Achmea and Rabobank.
30 VBDO & Oikos (2014), Good Tax Governance in Transition, Transcending the tax debate to CSR.

As in previous years, following the results of our study, a top 10 of best performing companies was selected. In order to be able to reach an independent verdict on the Tax Transparency Benchmark, an expert jury was appointed by VBDO to weigh the results, assess the validity of the results and determine a winner. See page 69 for the jury report.

Jury

Appointed by VBDO, the expert jury consisted of five honourable members acting in a personal capacity. All of them are experts in the fields of good tax governance and tax transparency but they come from different backgrounds:

- Klaas Bangma, Economic Policy Advisor with FNV;
- Irene Burgers, Professor of Economics of Taxation and Professor of International Tax Law at Groningen University;
- Michiel van Esch, Active Ownership Specialist at Robeco;
- Hans Gribnau, Professor of Tax Law at Tilburg University and Leiden University; and
- Anna Gunn, Tax researcher and blogger, Leiden University and Artikel 104.

6. Results

In this section, we present the results of the 2022 benchmarking exercise, and compare the results of the Dutch and EU companies. Due to the new methodology and the change in the total score (35 to 40) we cannot compare all of the results to previous years. In the upcoming years, we will be able to compare results annually as we gain traction on the new methodology. In order to add some granularity to this results section, we have split the companies into three groups. Please note that AEX-listed companies in the Netherlands fall into two groups.

1. NL (78, total NL scope, including AEX, AMX and AScX companies)
2. AEX NL (25, only companies that are AEX-listed in 2022)
3. EU (25, total scope of EU listed companies; see methodology for selection criteria)

Historic perspective

We would first like to present the total score compared to previous years. Results show that, on average, Dutch stock-listed companies have become more transparent in their tax reporting. The overall transparency rating on our six Good Tax Governance Principles increased to 50% in 2021. We are proud of this positive trend, especially since we started out with an average score of just 25% in 2015 (as can be seen in Figure 6).

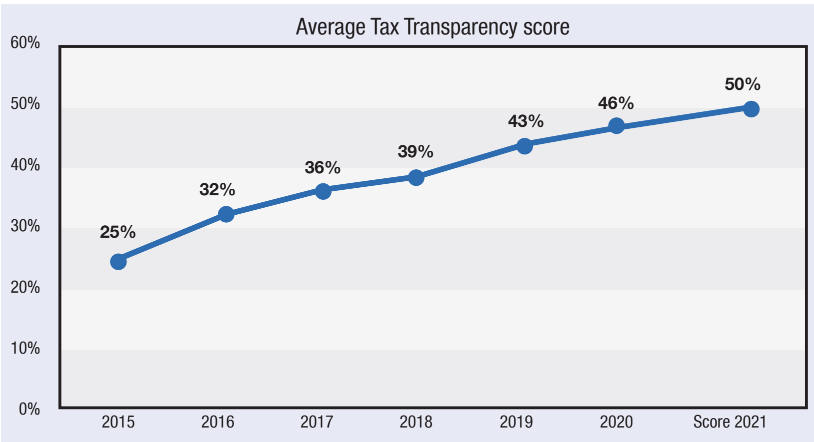


Figure 6: Scoring trend 2015-2021

This year's outcome

In 2022, 43% of all companies (NL+EU) scored more than half of the available points, meaning that 57% are still underperforming. Figure 7 shows the average Tax Transparency score per category (NL, AEX and EU). Only two companies did not score any points (both NL small cap). 28 companies scored lower than the minimum base line of ten points, of which one is an AEX company and seven are EU companies. By considering the average scores of our three main categories, it can be observed that the AEX companies outperform their EU peers (in the respective sectors) by 11%, but that the NL scope scores 4% lower than the total EU company scope.

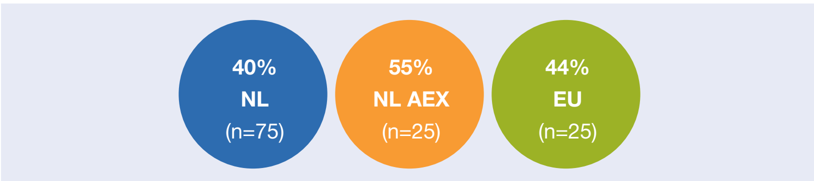


Figure 7: Average scores per scope

It is encouraging that more companies are responding to our assessments and providing feedback on their company profiles. The response rate has increased from 77% (NL) to 78% (full scope EU+NL) and many discussions relating to tax transparency followed, indicating a growing interest in this topic from both sustainability and tax professionals from stock-listed companies in the Netherlands.

Results per company

The distinguished members of the Tax Transparency Benchmark expert independent jury took a closer look at the top eight companies that scored highest in the Tax Transparency Benchmark 2022.

Winner

The jury selected the overall, EU and NL winner from amongst these eight nominees (Repsol, NN Group, Philips, ING Group, Aegon, a.s.r., Allianz and Adyen) based on the following criteria:

- Total points scored and analysis performed by VBDO;
- Depth of the tax strategy, i.e. explaining matters rather than just giving an overview;
- Sector of operation and the presence of a mandatory legal framework;
- Absence of known controversies relating to tax and tax transparency;
- The clarity of the implementation and execution of tax strategies.

The jury congratulates **Repsol** on winning the 2022 EU Tax Transparency Award and **NN Group** on winning the 2022 NL Tax Transparency award.

Repsol is the first winner of our 2022 EU Tax Transparency award, and scored close to the maximum number of points with 38 out of 40. Repsol has made an interactive tax reporting portal that is easily accessible to all stakeholders. The company provides information on the relationship between ESG and tax, and reports extensively on tax in each country where it has economic activity (following GRI 207: Tax). NN Group is, for the fourth consecutive year, the top-scoring company in the Dutch Tax Transparency Benchmark. Again, NN Group was able to demonstrate that it proactively seeks to act in a responsible and transparent way regarding its taxation. NN Group continued its clear and very extensive tax strategy, which resulted in a high score of 36 points. Despite the new methodology and more stringent assessment, NN Group achieved a higher number of points than in 2021. The Group's tax charter includes a tax control framework containing a detailed description of how the implementation and execution of the tax strategy is monitored. In addition, NN Group provides an extensive tax risks analysis and describes control factors per risk.

Repsol is the highest scoring company in the Tax Transparency Benchmark 2022. Repsol jumps out due to its portal on tax for stakeholders and its comprehensive tax contribution report. Repsol clearly outlines how its business model is taxed throughout the value chain. Repsol scored 38 out of 40 points, only losing two points due to a missing tax in-control statement by the board. There were no controversies found by the jury regarding the tax behaviour of Repsol.

NN Group, similar to last year, published a total tax contribution report, which features country-by-country information on FTEs, total assets, profit before tax and taxation. When reporting on its tax position, NN Group is guided by and complies with the GRI 207: Tax standard. Finally, it provides third-party assurance to stakeholders on its total tax contribution report. There were no controversies found by the jury regarding the tax behaviour of NN Group. In summary, NN Group shows that it transparently reports on all Good Tax Governance Principles and made clear how tax can contribute to solving ESG issues.

Another point that should not remain unnoticed is the remarkable rise of InPost in our NL ranking. The company scored 5 points on the 2021 edition of the Tax Transpareny Benchmark and earned 25 points in the 2022 edition, making a jump of almost 50 positions on the total ranking (65th in 2021 to 15th rank in 2022).
On page 69 an overview of the jury's considerations on the results of the Tax Transparency Benchmark 2022.

Main findings of the Tax Transparency Benchmark 2022

This section provides a quantitative and qualitative explanation of the outcomes of the Tax Transparency Benchmark 2022. As mentioned, the benchmark methodology changed quite significantly. Where results are comparable, because the criterion did not change, we will show results from 2018 onwards. The following pages cover the overall and most significant results of our benchmark study.

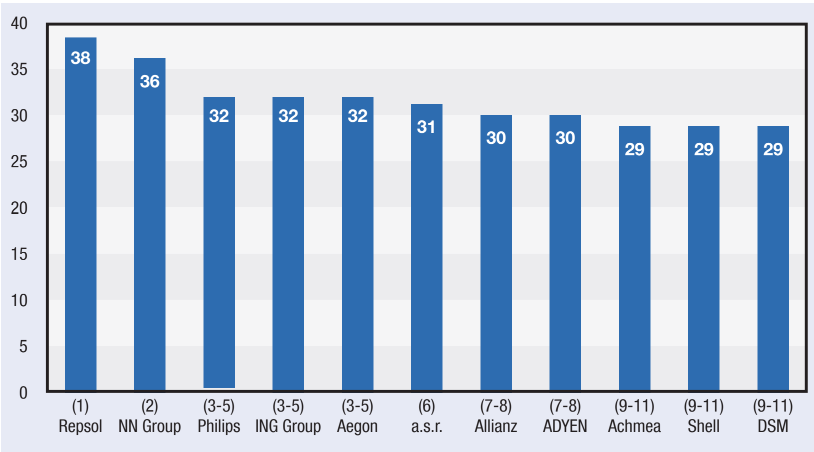


Figure 8: Scores achieved by the top 11 companies, 2022

Results per principle

A. Define and communicate a clear tax strategy

An appropriate tax strategy is accessible and clearly communicated (transparent). It contains the company's vision and objectives regarding 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 scorers
Three companies scored the maximum number of points for the first principle, compared to 20 companies in 2021. This change is mainly due to the addition of a question on how tax is taken into account to address specific ESG issues. The three companies that best defined and communicated their tax strategy in a clear manner were Repsol (Spain), Prosus (Netherlands) and Bayer (Germany).

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Main results (full EU+NL scope, or mentioned otherwise)

- 86% of the companies communicate their views on tax via a tax strategy or policy;
- 72% of the companies report how their tax strategy is aligned with their organisational values, but only 25% describe how the company actually monitors this alignment;
- 38% of the companies state that their tax strategy has been signed off by the executive board, and include how often the board reviews the tax strategy;
- The number of companies confirming that they have discussed the tax strategy with stakeholders is highest for companies in the AEX (44%), than the EU scope (32% and the full NL scope scores lowest (22%).
- 25% provide a vision of the company's relationship with the tax authorities, which is considerably higher for EU companies (40%);
- 43% of the companies describe their approach to applying for government incentives and subsidies, which is considerably higher for AEX companies (68%);
- Importantly, for the new criterion, one third of all companies already describe how their approach to public policy lobbying and/or advocacy on tax is aligned with the tax strategy.

The average score for **Principle A – Tax strategy is 49%** (out of the full scope). The EU companies score above average with 52%; the NL companies score 47% and the AEX ones score 60%. An important element, and in many cases the first step towards tax transparency taken by companies, is stating the company's view on tax in its annual report, tax strategy or a policy document. This year, 86% of the NL companies in scope communicated their views, (compared to 84% in 2021). 100% of the AEX scope share their views on tax, compared to 88%

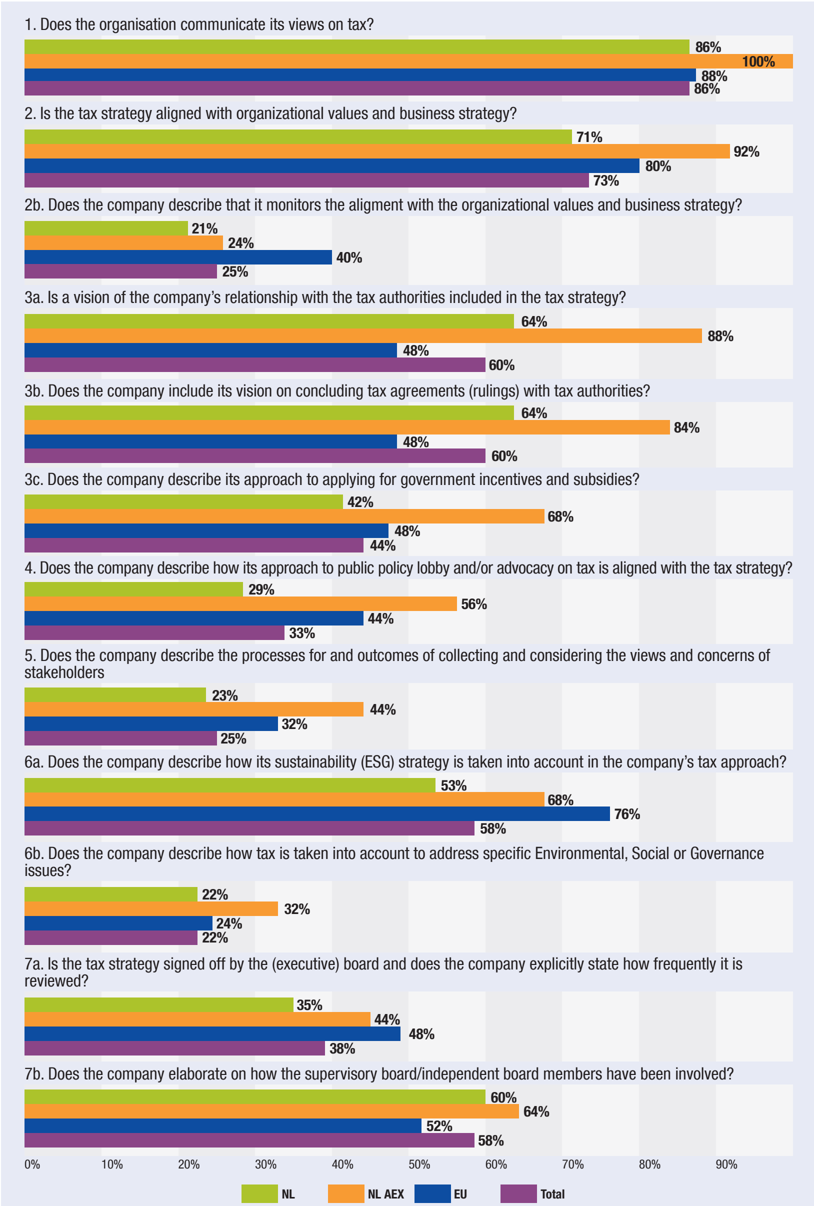


Figure 9: Scores on Principle A (Tax Strategy)

of the EU companies in scope. In order for stakeholders to ascertain that the tax strategy is embedded within the company right up to the top, it is important that the tax strategy or policy documents are explicitly signed off by the board. In 2021, 57% of the companies did this; this number has decreased to now just 35% taking this important governance step. This decrease can be explained by VBDO asking for an explicit mention of the frequency of the board review and sign-off (as mentioned by GRI 207-1). In the EU company scope, 48% of companies comply with this criterion, compared to 44% of the AEX companies.

	NL (n=78)	NL AEX (n=25)	EU (n=25)	Total (n=103)
2022	22%	32%	24%	22%

Most companies explicitly state their vision of the company's relationship with tax authorities to stakeholders (NL 64%, AEX 88%, EU 48%) and that tax is part of its sustainability (ESG) strategy (NL 53%, AEX 68%, EU 78%). There's clearly a big difference between the EU companies and the other two groups. We have not found a clear explanation for this. A new criterion this year is focused on how companies take tax into account to address specific ESG issues (e.g. carbon, green subsidies and incentives, plastic pollution, covid relief or sugar taxes).

A tax strategy is only properly established when it aligns with stakeholder interests. While we see a small increase (one additional company) in the number of companies that discuss their tax strategy with stakeholders, very little progress has been made over the years in this area. 38% of companies in the Netherlands scope scored a point for this question last year. The percentage decreased this year, due to a stricter assessment: NL 23%, AEX 44%, EU 32%.

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

Tax should not be seen as an isolated business component but as an integral part of the company and as part of the broader business strategy. As such, tax 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 scorers
Repsol scored the maximum 11 points

Results

- 81% of the NL companies (AEX 92%, EU 88%) stated that ‘the business is leading’ when setting up international taxation structures;
- 79% of NL companies (AEX 92%, EU 74%) communicate that they do not make use of tax havens, but only 19% of the NL companies (AEX 28%, EU 32%) disclose their definition of tax havens and / or non-cooperative jurisdictions;
- 9% of NL companies, 36% of all AEX companies and 8% of the EU companies describe how they are taxed throughout the value chain;
- 78% of NL companies (AEX 88%, EU 80%) provide a reconciliation between the effective tax rate and the weighted average statutory tax rate and include a narrative description;
- 14% of NL companies (AEX 28%, EU 24%) provide full disclosure of country-by-country based tax information in line with GRI 207:4;
- Only one EU company provides information on a country-by-country basis on ESG related taxes.

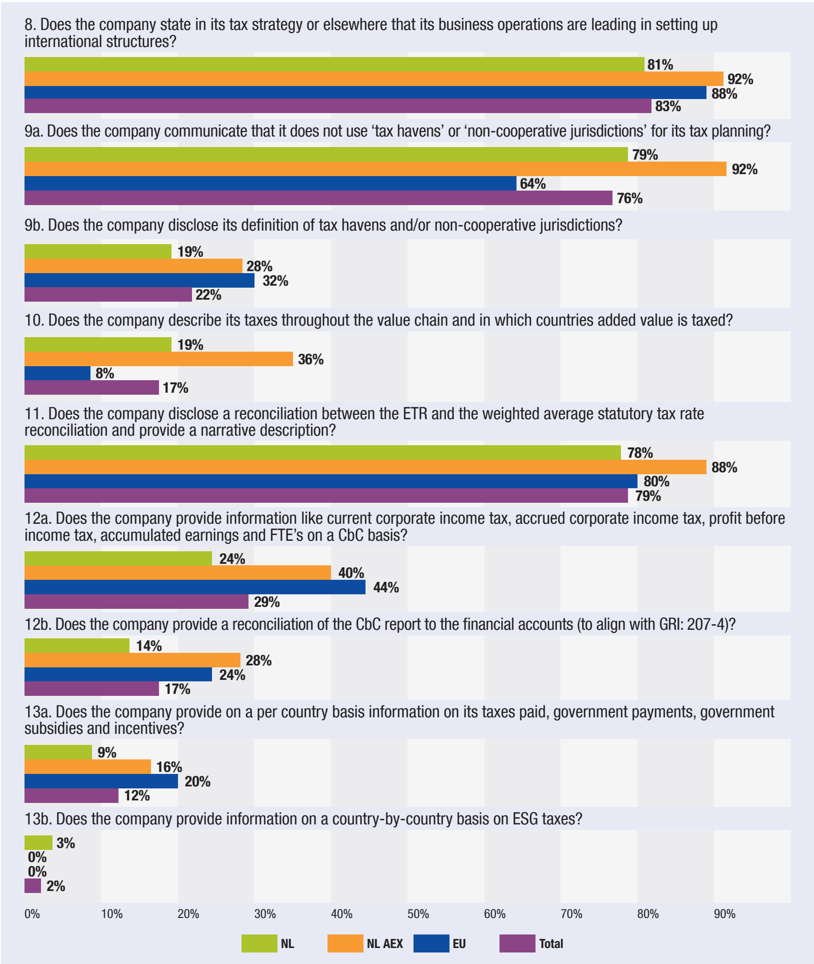


Figure 10: Scores on Principle B (Alignment with business and transparancy)

Just over three quarters of all NL companies (78%) provide a reconciliation between the effective tax rate and the weighted average statutory tax rate. This percentage is 88% for the AEX companies and 80% for the EU companies. Last year, we reported a result of 94% for the NL scope. The decrease can be attributed to a stricter application of our criterion, particularly relating to the question on the narrative that is provided, as in some cases we have deemed this narrative to be insufficiently comprehensive. A reconciliation table does not provide enough detail for stakeholders to properly assess any disparities in corporate income tax.

The average number of NL companies that do not disclose country-by-country based tax information increased from 70% in 2021 to 76% in 2022. VBDO is concerned about this trend, but also needs to explain that stricter scoring was applied, which requires full country-by-country reporting, rather than regional reporting or some countries being included. This stricter application affected the outcome. For this criterion, 40% of AEX and 44% of the EU companies reported tax information on a country-by-country basis. However, if we apply the full GRI 207:4 standard, the numbers are different. Only 14% of the NL companies (28% AEX, 24% EU) reported in adherence to this leading reporting guideline.

The number of companies that do conduct country-by-country reporting is growing, but often a company's own format is used. Having uniformity in tax reporting is important, especially from an external stakeholder perspective. Therefore, companies are advised to look at the frameworks provided by the OECD and GRI to report tax-related information.

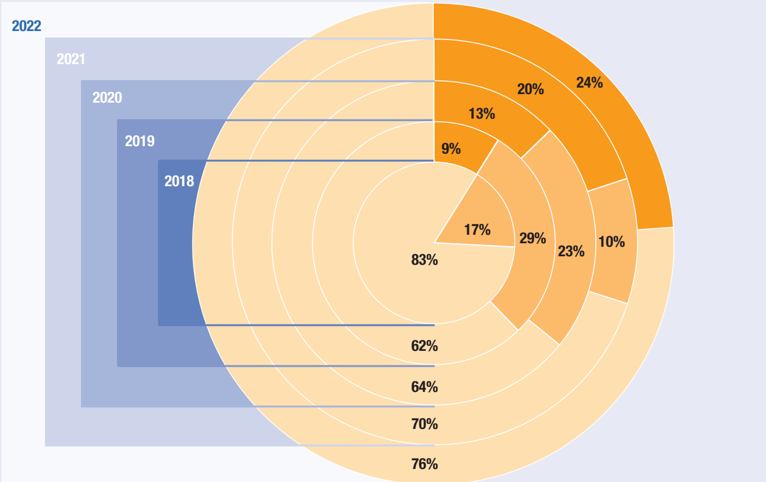
C. Respect the spirit of the law. Tax-compliant behaviour is the norm

A company should aim to comply with the spirit as well as the letter of the law. This means that the intention of the legislator is also used as a guiding principle for the company to ensure tax-compliant behaviour. By definition, the spirit of the law can be open to interpretation. Therefore, discussions are required with internal stakeholders, including tax, legal, compliance and CSR officers, as well as external stakeholders, such as investors, government officials, tax authorities and civil society organisations. Being compliant with tax laws and regulations, statutory financial obligations and international accounting standards is the core responsibility of the tax function.

Top scorers

Repsol, NN Group, Philips, ING Group, a.s.r., Allianz, DSM, Unilever, Aegon, Achmea, Shell, Orsted, Ahold Delhaize, TomTom, Rabobank, Generali, Advanced Metallurgical Group, SBM Offshore, KPN, Randstad

NL scope - 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, government subsidies and incentives?



NL scope - 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?

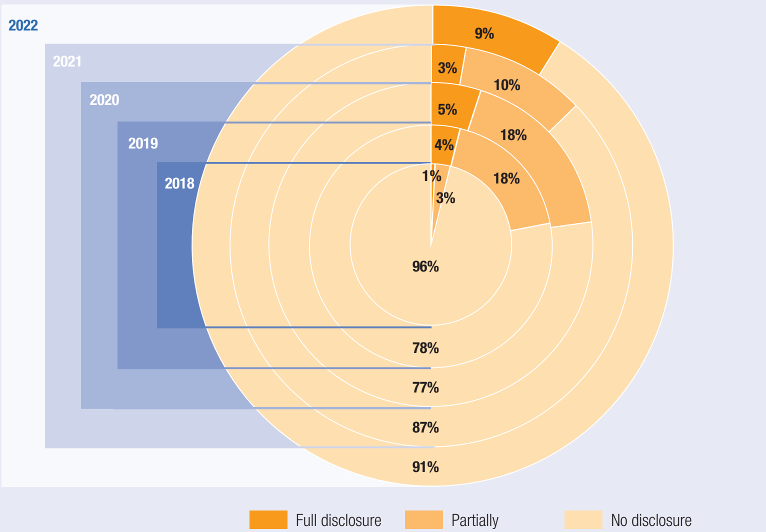


Figure 11&12: Average scores on country-by-country tax information 2018-2022

Results

- 73% of the NL and 32% of the EU companies explicitly stated that their tax planning strategy takes the spirit of the law into account, compared to 70% in 2021 (NL). The AEX achieved a score of 80%;
- The percentage of NL and EU companies that state they have a training programme for tax, legal and compliance officers in place on how to deal with tax issues and dilemmas is 42% and 52% respectively (AEX 68%).
- 51% of NL and 32% of EU companies (AEX 68%) stated that they have a whistleblower or Speak Up policy in place that refers explicitly to tax, compared to 40% of NL companies in 2021.
- 52% of EU and AEX companies include in their tax strategy mention of a specific tax code or guideline that they follow or report by. Only 29% of the full NL scope do this.

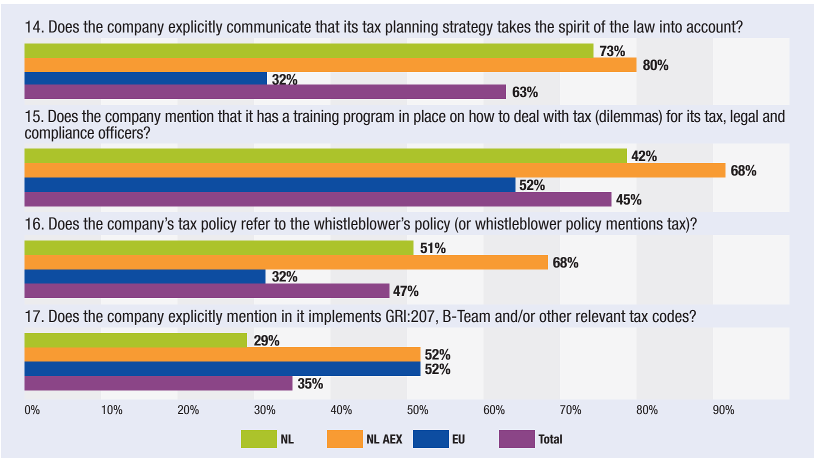


Figure 13: Scores on Principle C (Behaviour towards tax)

One important point to note is the fact that again most (73%) of NL companies explicitly state that their tax planning takes into account the spirit of the law. This percentage is even higher for the AEX companies (80%). However, the same cannot be said for our EU scope, for which such a statement is much less common (32%).

Another important element of a company's tax-compliant behaviour is knowledge-building. Training should make it easier for employees to deal with tax dilemmas. Companies should provide training that ensures tax issues are dealt with in accordance with the company's organisational values. They should also support employees to determine how to apply the spirit of the law in specific circumstances. Again, we have seen the number of companies that provide such training programmes increase to just under half (42%) of the NL companies and just over half (52%) of the EU companies in 2022. The AEX scored higher, with more than two thirds (68%) of companies providing training programmes. We are pleased to see that the percentage has more than doubled since 2018, when only 20% of companies provided training. Not only do these programmes update knowledge internally, they also create value for external stakeholders (e.g. investors) as they provide certainty that relevant individuals are adequately trained to address tax risks.

If an employee or other stakeholder has a tax-related concern, it is important that they know grievance mechanisms exist. Many companies do not list tax as a specific issue in their whistleblower policy. In 2022, we have been looking for an explicit reference to the whistleblower policy in the tax policy or a reference to tax issues in the whistleblower policy. Last year, 40% of the companies reported in the tax policy that they had a whistleblower policy in place. This year, the results increased to 51% for the NL scope, and 68% of the AEX scope and 32% of the EU scope implement this measure.

In 2022, we have included an additional criterion that covers whether the organisation reports on whether it applies or discloses through a specific external tax code or guideline (e.g. VNO-NCW Tax Governance Code, GRI 207, B-Team). More than half (52%) of the EU and AEX scope disclose a code or guideline and just under one third (29%) of the total NL scope do the same.

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. For stakeholders, such as investors, to understand national or international tax risks, a company should provide a clear response to each material risk.

Top scorers
Repsol, NN Group, ING Group, Unilever, Aegon, Advanced Metallurgical Group, SBM Offshore, RELX Group, Adyen, TKH Group, Vastned, Heijmans, SAP, INDITEX, JDE Peet's, Unibail-Rodamco-Westfield, IMCD. All scored the maximum five points.

Results

- 16% of the 103 companies scored the maximum number of points on this principle in 2022, compared to 19% of 78 companies in 2021;
- 67% of the NL companies (EU 60%, AEX 90%) provide an explanation of their tax risk appetite to stakeholders;
- 58% of the NL companies (EU 52%, AEX 88%) describe risks in detail, compared to 53% in 2021;
- 55% of the NL companies (EU 40%, AEX 72%) provide a commentary on the company's response to these risks, compared to 52% in 2021;
- 50% of the NL companies (EU 48%, AEX 72%) describe the role for tax relevant data management, compared to 42% in 2021.

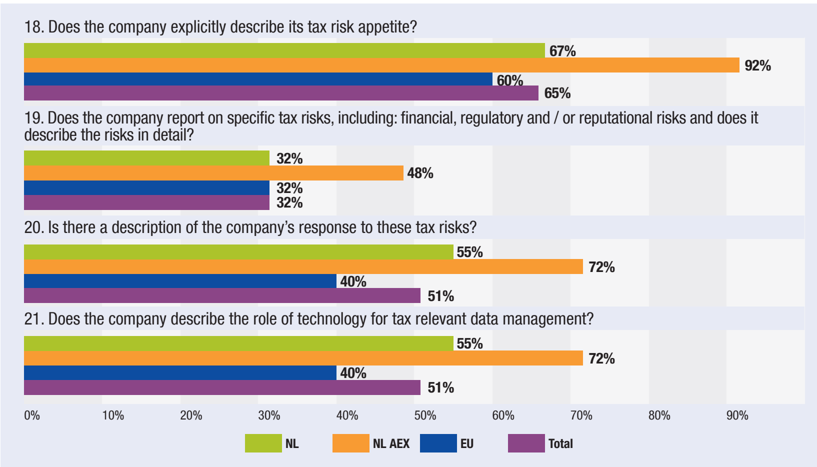


Figure 14: Scores on Principle D (Tax risks)

We have again observed an increase in the number of companies that scored the maximum number of points for this principle (17 in 2022, compared to 15 in 2021). These frontrunner companies report on more types of tax risks and also describe those risks in more detail. We observe that almost half of (56% of NL, 64% of AEX and 44% of EU) the companies report on their tax risk appetite. For the NL scope, this is a decline, however, as last year 60% reported this element.

We have found that more NL companies are reporting on tax risks in detail, from 53% in 2021 to 69% in 2022. Almost all companies (88%) in the AEX and half (52%) of the EU companies in scope report these risks in detail. Compared to last year, even fewer NL companies provide a commentary of their response to these risks (35% in 2022, 52% in 2021). This decline can be explained due to a stricter assessment and the request for an impact analysis for tax risk evaluation that includes the likelihood of occurrence and the financial consequences of risks. AEX and EU companies scored 44% and 24% respectively. Although 65% of the entire NL and EU scope of 103 companies report on tax risks in detail, there does remain a large discrepancy between simply mentioning a tax risk and comprehensively commenting on the company's response (only 32% of the full NL and EU scope do the latter).

We expect companies to provide material information on tax risk management that is comprehensive and provides value for stakeholders. Moreover, this information should be specific and apply to concrete cases. Companies can improve by including in the annual report an evaluation of their response to managing the tax risks they have identified. By doing this, the risk paragraph becomes more than simply a tick-the-box exercise; it provides meaningful disclosure to stakeholders, and is preferably accompanied by an impact analysis.

Another important development since 2018, is the application of tax technology solutions. In 2022, 51% of the NL companies (EU 52%, AEX 60%) now report on the role of tax technology for tax relevant data management. While this has increased from only 7% in 2018, we believe this number should be higher as companies benefit from tax technology solutions, especially when they disclose relevant country-by-country data to stakeholders.

E. Monitor and test tax controls

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

Due to the increased public scrutiny and intensified debate on tax in recent years, the boardroom's interest in tax risk management grows each year. Identifying risks by means of monitoring and testing activities, and reporting and managing tax risks are now considered part of properly embedding tax risk management in the organisation.

Top scorers

Repsol, NN Group, Unilever, Aegon, SBM Offshore, RELX Group, TKH Group, SAP, INDITEX, Unibail-Rodamco-Westfield, Philips, DSM, KPN, Randstad, PROSUS, ForFarmers, ASML, INPOST, Eurocommercial Properties, Shell, Orsted, Generali, AXA, a.s.r., Achmea, BAYER, Heineken, BNP Paribas, Just Eat Takeaway.com, TomTom, Santander, Flow Traders, Vattenfal, Sanofi

Results

- 45% of the NL companies (EU 60%, AEX 68%) describe to stakeholders how the implementation and execution of the tax strategy is monitored;
- 58% of the NL companies (EU 68%, AEX 80%) describe to stakeholders how tax risks and controls are tested and monitored;
- 59% of the NL companies (EU 62%, AEX 78%) stated that tax risk management is reported to the audit committee and that the audit committee has been involved with the tax department.

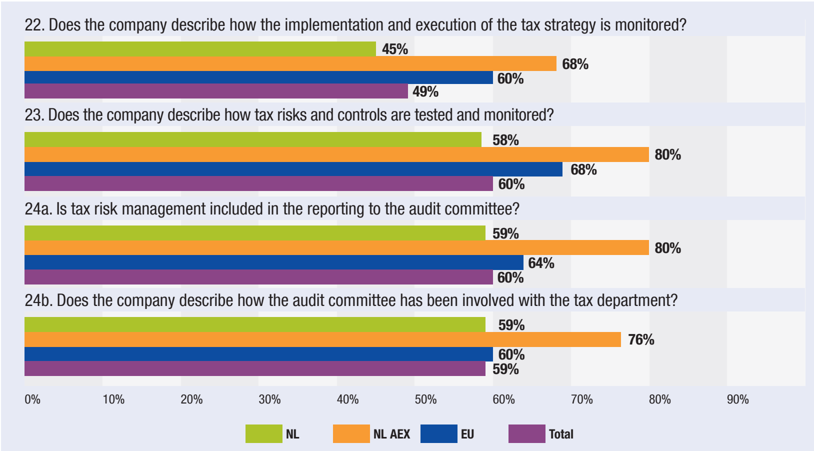


Figure 15: Scores on Principle E (Tax controls)

One important element of proper tax reporting is sharing with stakeholders exactly how the tax strategy is implemented rather than just telling them that it has been. In order to be transparent about the monitoring and testing processes that a company has designed, a narrative should be provided that shows the implementation of the tax strategy. Figure 15 indicates that AEX companies perform better overall than the EU companies in scope on monitoring the tax strategy and tax controls. However, the full NL scope is not able to match the EU scope scores.

The NL scope scores slightly lower on all questions in this category compared to last year. A description of the process of monitoring the implementation and execution of the tax strategy is provided by 45% of the NL companies in 2022, compared to 48% in 2021. Companies should design a process to monitor whether material business is conducted according to their tax principles. The EU scope is more transparent about this element, with 60% of companies providing such a description, but the AEX companies perform best at 68%. Looking at whether companies describe how tax risks and controls are tested and monitored, we have observed that 58% of the NL companies (EU 68%, AEX 80%) are making the effort to do this.

One other important element in tax strategy execution is reporting how internal auditors and the audit committee of the supervisory board of the companies are updated and involved on tax risk management. At this moment, 59% of the NL scope explicitly report on how the audit committee is engaged in reviewing tax risks, rather than just stating that the audit committee has been consulted throughout the year. This is a small decrease on last year's 66%. Of the EU scope, 62% are transparent about this procedure, as are 78% of the AEX companies. We believe that tax management and compliance within a company can greatly benefit from the active involvement of the supervisory board. In this way, supervisors are kept up to date on relevant tax information. At the same time, staff whose roles involve tax matters should be challenged to show that they adhere to the existing tax principles and implement tax controls.

F. Provide tax assurance

Companies should be prepared to provide additional (non-financial) tax information to regulators, tax authorities and other stakeholders 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. Preferably, this tax in-control statement will be explicitly mentioned and disclosed in the tax paragraph of the annual report. Ideally, the company should provide its own tax in-control statement, in which it declares to what extent the processes and operations worked and were in control. In addition, assurance can also be provided by a third party. Third-party tax assurance supports in giving stakeholders certainty about tax processes.

Top scorers
Only NN Group scored the maximum amount of five points for this criterion.

Results

- NN Group, Bayer, Total Energies, AXA, Allianz, Santander, Inditex, KPN, Philips and Randstad provide third-party tax assurance;
- 12% of the NL scope (EU 16%, AEX 20%) mention the existence of a tax in-control statement;
- 44% of the NL scope (EU 36%, AEX 56%) participate in a co-operative compliance programme.

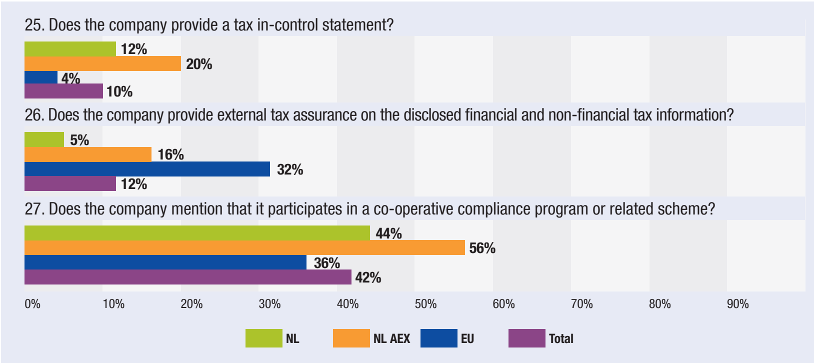


Figure 16: Scores on Principle F (Tax assurance)

Principle F has traditionally scored poorly over the past eight years that we have executed this benchmark. Similar to 2021, we are seeing gradual improvement. We believe the increased adoption of the GRI 207: Tax standard by companies provides a push towards tax assurance and tax reporting. Multiple companies in NL and the EU have implemented the GRI 207 standard and by referring to this framework, external auditors have been able to provide the necessary limited assurance to stakeholders on this single topic.

Similar to last year, it is no coincidence that the companies that have implemented GRI 207 also have this information audited by an external party. The standard provides both companies and auditors with the necessary instruments for assurance. One of the most important features of the GRI 207 standard is its requirement for companies to disclose a reconciliation between the country-by-country tax information and the financial statements[31].

31 Please refer to the GRI 207: Tax standard. Page 10. Retrieved from: https://www.globalreporting.org/standards/media/2482/gri-207-tax-2019.pdf

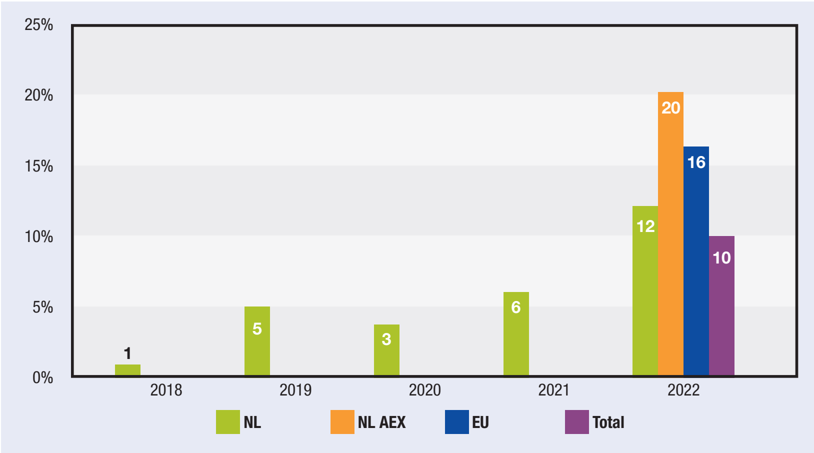


Figure 17: Tax in control statement

Companies can provide external assurance, but internal assurance in the form of an in-control statement is valuable as well. We have observed an increase since 2018 in the number of NL companies that include a tax in-control statement. Although many companies mention that they are in control of the business, there is only a small group that states that they are in control of tax; an important element of full maturity on this topic. We found that 12% of the full NL scope and 20% of the AEX scope include this statement, compared to 16% of the EU scope (see figure 17).

Open question - best Practice according to the companies themselves

What constitutes as a best practice in tax transparency? We have asked this question to all 103 companies in scope. According to them, several elements come into play. A best practice goes further than a declaration of intent; it needs to be a strong commitment to efficiently and responsibly pay taxes and promote cooperative relations with local governments, while at the same time avoiding significant risks and unnecessary disputes. Companies named multiple necessities for creating such an environment. For example, the commitment should include a requirement for regularly reviewing and improving it with the help of an expert team. This team must be aware of and engaging with the highest international tax standards, good tax governance initiatives and recommendations. To further transparency, it is vital to publish reports on the corporation's website alongside statements regarding country-by-country reporting, tax contribution, presence in tax havens, cooperative relationships and self-assessments. It is similarly seen as vital by companies to include ESG objectives and goals, and these should show a clear link between organisational values and business strategy. Finally, it is important to utilise technology and standardised tax reporting processes and frameworks.

It is encouraging to see that more than one company in the benchmark includes all or most of these elements in their tax policy. It is particularly gratifying to see that an increasing number of reports now include taxes paid and collected on a per country basis, including CIT, VAT, IPT, wage tax and dividend withholding taxes. The inclusion of the GRI 207 table for disclosures is another ample example of companies improving.

With regard to the enabling function of technology and data processing, it is good to find examples referenced by the companies. One example is the use of a web-based tax accounting tool for CIT, which enables the user to have a real-time review of tax positions, therefore aiding tax teams to review and clarify more effectively and efficiently.

An example given by one company about furthering knowledge and experience within the organisation, is the practice of providing training and exchange sessions regularly for those responsible for managing the tax functions.

Another example of good practice provided by one of the companies, relates to its intention. This company states that ‘tax is a normal consequence of doing business. It is a cost, but it is also a contribution to the societies where the company has the opportunity to do business.’ The statement speaks to the considerable sense of responsibility and willingness to take part in a level playing field in which all actors support and contribute to society. Finally, not all companies consider themselves as having a best practice, even when they do, with one company stating: ‘We do not consider that our company stands out as having a specific best practice as all are closely interlinked and our tax principles form an integrated and coherent whole.’ And with that statement, it is important to note that indeed best practices should perhaps not be easily celebrated by companies themselves, as such practices need to be an integral part of the company’s policy and intention without any undue self-congratulation.

Each named element is an important part of a good tax policy and is vital for furthering transparency and the corporate tax sector as a whole. On a more critical note, calling these a best practice inherently means that not all companies are following recommendations yet. Adhering to tax rules, international standards and all relevant laws and legislations should be the basic norm, not a best practice. The humbleness shown by some companies that do have satisfactory best practices in place is perhaps a best practice in itself; these companies have a proper strategy and policy in place as they appreciate that contributing to the society they operate in is an important ESG element. These frontrunners in tax advocate for a more transparent environment in which all stakeholders are involved, lessons learned are shared and data technology is fully utilised to enhance the process.

7. Recommendations

The results of this year's benchmark show that, overall, companies have once again demonstrated progress on most tax transparency elements. However, there still remains room for further improvement in several areas, especially the new ones we added this year (i.e. value chain, control, ESG). Based on the results of the Tax Transparency Benchmark 2022 and the expert jury meeting, recommendations for further improvement for different parties are outlined below.

To companies

- Ensure you keep abreast of all relevant developments regarding the transparent reporting of tax and continue to adapt your policies (including the sustainability strategy) and practices to align with these new standards;
- Improve the quality of your dialogue with internal and external stakeholders to further develop your tax communication approach and to help rebuild trust in taxation;
- Continue developing and strengthening the link between ESG and tax and report on how these two can strengthen each other;
- Provide further narrative about tax processes to move from a 'tell me' stance to a 'show me' one;
- Continue to elaborate on the tax risk management process, and include a description of the company's tax risks, risk appetite and risk response in public information;
- Provide a comprehensive narrative to the ETR reconciliation table that clearly explains the numerical calculation from the statutory to effective tax rate;
- Provide country-by-country reporting data and seek to improve the quality and the remit of this data. Align with the GRI 207: Tax standard and EU Directive on Public CbCR. Disclose on a country-by-country basis, not per region;
- Start providing information to stakeholders on the value creation story of your business to make clear where your organisation is being taxed and where value is created;
- Employ and continuously improve a monitoring system for the implementation and execution of your tax strategy, and actively involve the supervisory board in this process;
- Provide assurance, ideally both an in-control statement and third-party tax assurance, on your tax strategy. An in-control statement should be provided by your internal audit department (or the department responsible for governance) and signed off by the management board;
- Implement the tax strategy and show how it is implemented on paper; do not use this Tax Transparency Benchmark to merely 'tick boxes'.

To lawmakers, regulators and tax authorities

- Proper legislation underpins enhanced tax transparency. Assist companies to develop a clear strategic vision on tax transparency and governance, by passing appropriate laws and strict good tax governance standards that apply to all companies, while taking into account the practicality for both the tax authorities and companies;
- Actively promote the use of internationally accepted standards to provide multinational companies with comparable or common governance, reporting and audit standards to work with across borders;
- Ensure clear guidance on rules and regulations for cooperative compliance programmes to stimulate voluntary compliance;
- Increase the transparency of compliance management strategies and tax accountability to help rebuild trust in taxation.

To NGOs

- Engage in open and constructive dialogues with companies and focus on encouraging them to change. Differentiate how you approach high and low performers on tax transparency and good tax governance;
- Share best practices with companies on what you consider responsible and transparent corporate tax behaviour;
- Do not only focus your efforts on multinationals and tax advisors but also on tax administrations and investors;
- Enter into structured dialogues with governments to promote transparency.

To tax advisory firms

- Ensure employees have the proper technical, governance and digital tax expertise;
- See tax in a broader environmental, social and governance (ESG) context, i.e. not only from a legal or financial perspective;
- Promote responsible tax behaviour and support companies' tax transparency initiatives;
- Dare to have a robust dialogue on this topic with all stakeholders;
- Introduce and apply an internal code of conduct for tax advice;
- Ensure each tax advisor is familiar with the client's sustainability and business strategy.

To investors

- Design and implement a tax code of conduct that applies to:
  - your own organisation;
  - how you structure your investments;
  - your investments;
  - the parties you collaborate with.
- Integrate tax in the valuation of investee companies by including it in investment and ESG policies;
- Be transparent on the tax strategy of your own organisation and what you expect from investments and the parties you collaborate with;
- Enter into a dialogue with portfolio companies on responsible and transparent tax behaviour;
- Don't just test investments at the moment of investment, but also monitor adherence to your criteria or expectations during the lifecycle of the investment;
- Support initiatives to develop common standards for tax reporting to enhance (global) comparability;
- Partner with other investors in collaborative engagement and resolutions on tax transparency (read the contribution of PIRC in chapter 3, focused on Microsoft & Cisco's AGM resolutions)

To universities

- Introduce a modernised curriculum for tax-related courses in order to meet the market's demand for skilled tax professionals who can drive forward tax transparency, while including the relationship between tax and ESG;
- Introduce relevant tax topics in economics, business management and mathematics courses, and in the social and political sciences;
- Better communicate with society. i.e. in less technical language.

8. Tax Transparency jury report 2022

Jury members

Appointed by VBDO, the jury consisted of five distinguished members acting in a personal capacity, who are all experts in the field of good tax governance and come from various backgrounds:

- Klaas Bangma, Economic Policy Advisor with FNV;
- Irene Burgers, Professor of Economics of Taxation and Professor of International Tax Law at Groningen University;
- Michiel van Esch, Active Ownership Specialist at Robeco;
- Hans Gribnau, Professor of Tax Law at Tilburg University and Leiden University;
- Anna Gunn, Tax researcher and blogger, Leiden University and Artikel 104.

Nominees

The jury discussed the process and execution of the benchmark as a whole. In addition, the data pertaining to the top eight performing companies (Repsol, NN Group, Philips, ING Group, Aegon, a.s.r., Adyen, Allianz and Achmea) was analysed. The winner of the Tax Transparency Award 2022 was selected from this group of nominees.

Winner

The jury selected the winner based on the following criteria:

- Total points scored and analysis performed by VBDO;
- Depth of tax strategy, i.e. explaining matters rather than just giving an overview;
- Sector of operation and the presence of a mandatory legal framework;
- Absence of controversies relating to tax and tax transparency;
- The clarity of the implementation and execution of tax strategies.

The decision was unanimous, and the jury would like to congratulate **Repsol** on winning the Tax Transparency Award 2022. In addition, the jury would like to congratulate **NN Group** for being the best performing Dutch listed company for the fourth year in a row.

Winner

Repsol is the top-scoring company in the 2022 Tax Transparency Benchmark, with a final score of 38 out of 40 points. Given that this year is the first time that European companies are also included in the benchmark, the jury compliments Repsol on the exceptional achievement of winning the Tax Transparency Award as a new entry. Repsol was able to clearly demonstrate that it proactively seeks to act in a responsible and transparent way regarding its taxation. In its extensive series of tax reports (i.e., tax policy, tax contribution, country-by-country, presence in tax havens, cooperative relationships, and self-assessment), the company shows that it views tax not merely as a declaration of intent or stand-alone compliance topic. Repsol integrates taxation into its broader strategy and aligns taxation with its organisational value by showing concrete examples.

Repsol is specifically praised for its description on tax contributions across its value chain. On its website, the company has included an interactive map which shows and explains the different business units in relation to taxes. Furthermore, the jury compliments Repsol for its extensive reporting on ESG taxes. For example, the company explicitly includes tax objectives in its global sustainability plan and reports on environmental taxes and hydrocarbons on a country-by-country basis in its tax contribution report.

When reporting on its tax position, Repsol is guided by and complies with several (voluntary) tax initiatives and codes, such as the Spanish Code of Good Practices, the B-Team Responsible Tax Principles and the GRI 207: Tax standard. In addition, Repsol is one of the few companies that provide external tax assurance on non-financial tax information, whereby it explicitly refers to its adherence to GRI 207 and its tax policy. Finally, Repsol publishes a cooperative relationships document, in which the company describes its approach towards the tax authorities in each country where it is active, and references any relevant programmes in which it participates (e.g. for the Netherlands it mentions the horizontal monitoring programme).

There were no controversies found by the jury regarding the tax behaviour of Repsol. Although almost all points were awarded, there is still some room for improvement. The jury recommends that Repsol also provides a specific tax in-control statement and elaborates even more on certain topics by giving concrete examples (e.g. on the topic of tax risks and controls). All-in-all, Repsol is the deserved winner of the 2022 Tax Transparency Award as it transparently reports according to all Good Tax Governance Principles.

Outstanding performance

NN Group is the second top-scoring company in the 2022 Tax Transparency Benchmark and for the fourth year in a row the best performing Dutch listed company. NN Group is becoming increasingly transparent on its taxes every year, resulting in a score of 36 points. The group extensively reports on tax risks and controls and gives many concrete examples. The jury praises NN Group for clearly linking the group's principles and (organisational) values to its tax strategy and for its adherence to various tax initiatives, such as GRI 207 and the new VNO-NCW Tax Governance Code. In addition, NN Group provides a comprehensive total tax contribution report, which features information on FTEs, total assets, profit before tax and taxation. However, for next year, the jury encourages NN Group to provide more information on ESG topics in relation to tax reporting by, for example, including environmental taxes in its country-by-country report. In summary, NN Group again has made significant progress and displays great fiscal transparency in its reporting.

Good practices

It was not only Repsol and NN Group that received praise from the jury members; during the jury meeting several good practices from other companies were discussed. Overall, the jury has observed a positive development towards more transparency regarding taxes. More and more companies are endorsing voluntary reporting initiatives such as the GRI 207: Tax standard. The jury complimented **Philips** in particular for explicitly explaining how it implements its tax strategy within the whole organisation. Moreover, Philips provides a narrative linking its business and activities to taxation, and reports on different aspects of its value in its country activity and tax Report. Both Philips and **Aegon** were complimented for their process-oriented approach and focus on technology in relation to their tax risk management. **Adyen** was complimented for (again) taking a big step forward, as it now further elaborates on its tax risks and the monitoring of the tax strategy, resulting in a score of 29 points. The jury also explicitly mentioned **Achmea** for its strong ESG focus and for specifically including tax in its social responsibility approach. In addition, for the first time Achmea published a fiscal report, which includes its tax policy as well as relevant tax developments for the company. Finally, the jury also specifically praised **Allianz** for showing great transparency as a newcomer in the benchmark, resulting in a high score of 29 points.

Recommendations from the jury

The overall verdict on this 2022 edition of the Tax Transparency Benchmark is that companies are continuing to make great progress in becoming more fiscally transparent. The jury specifically compliments companies on their impressive progress in country-by-country reporting and GRI compliance. In addition, the jury has observed a positive development around companies viewing tax as part of their ESG strategy and reporting on it. Nevertheless, there remains considerable room for improvement. In this regard, the jury notes:

- There still remains a difference between the companies that report on tax as a matter of compliance (i.e., tick-the-box) and companies that provide a detailed insight into their tax governance by using concrete and relevant examples. According to the jury, companies should put more emphasis on their intention and persuasiveness with regard to tax reporting;
- Although some companies already report on tax as part of their broader ESG strategy, the jury expects companies to specifically include a description in their reporting on how tax is taken into account to address certain ESG issues, e.g. by reporting on carbon taxes, green subsidies and incentives or working remuneration in relation to their tax strategy;
- The jury has observed a stagnation in the number of companies that give insights on stakeholder engagement. Many companies mention that tax is part of the stakeholder dialogue, however the jury expects companies to also provide details on the processes for and outcomes of collecting and considering the views of different stakeholders (e.g. by giving concrete examples);
- A lot of companies have their tax strategy signed off by the executive board and mention how the supervisory board or non-executive directors are involved with the tax strategy. However, the jury believes that companies should also provide information on how often the executive and/or supervisory board reviews the tax strategy (e.g. quarterly or annually);
- The jury encourages companies to give more insight into the alignment of tax with the business by also reporting on taxes throughout the value chain. For instance, a company could give a description of where in the world it adds value in the business cycle, where it is taxed and how it is prioritised to the tax authorities;
- With regard to a company’s tax risks and controls, the jury appreciates the fact that more companies describe their tax risks in detail. However, a description of a company’s response to these specific tax risks is not always included. Companies are also expected to include an impact analysis for tax risk evaluation, which includes the likelihood of occurrence and the financial consequences of risks;

- Although many companies made significant progress in their country-by-country reporting, there is still much room for improvement. This specifically relates to country-by-country reporting that is not covered by the EU Directive on Public CbCR, such as information on government subsidies and ESG taxes.

The jury makes the following suggestions relating to the Tax Transparency Benchmark's methodology:

- Despite this year's changes in methodology and the shifting focus with more emphasis on 'show me' instead of 'tell me', the jury again suggests that more attention should be paid to the intention and persuasiveness of the report in the questions. The questions are still very much 'tick-the-box' questions instead of a qualitative analysis of the company's tax transparency. By taking intention and persuasiveness into account in the questions, e.g. by awarding more points for companies that support their answers with concrete and relevant examples or issues, more differentiation in awarding points should be possible.
- In relation to Q3b (on the relationship with tax authorities), it should be clarified how 'tax agreements' are defined. Does this only include tax rulings or does it also refer to other tax agreements?
- In relation to Q4 (on lobbying and advocacy), the focus should be more on encouraging the public debate on tax transparency. The jury proposes to also include the relationship of a company with the media in this question (e.g. who is responsible and how often does this occur?).
- In relation to Q9 (on tax havens), the jury recommends that the focus of the question should shift more towards an explanation for the use of tax havens instead of simply giving a definition of tax havens. The relevant question is whether tax havens are used for tax planning purposes.
- Finally, the jury has observed a difference in language between the Dutch listed companies and non-Dutch listed companies. For example, Q14 refers explicitly to the 'spirit of the law', but this term is not often used by non-Dutch companies. The jury suggests also awarding points for other wording with the same meaning, such as 'current conception of law'.

Appendix

2022 Tax Transparency benchmark criteria and scoring

Assessment criteria per guiding principle.
Company assessments are based only on publicly available information.

Total points: 40
Number of questions: 35 criteria + 1 open question

Principle	Description	Points
A	**Companies should define and communicate a clear strategy on tax governance**	
Narrative on tax strategy	A tax strategy is a plan stating the organisation's vision and view with respect to taxes. When we are looking at how a company communicates its tax strategy, we want to ascertain whether it communicates in a way that explains the key elements of the strategy, and whether it also stipulates what these elements mean for stakeholders. Additionally, some criteria relate to the governance structure for the tax strategy and whether the strategy is reviewed in line with the Dutch Corporate Governance Code.	
1	Does the organisation communicate its views on tax (e.g. via a tax strategy / tax policy)?	1
2a	Is the tax strategy aligned with organisational values and the business strategy?	1
2b	Does the company describe how it monitors the tax strategy's alignment with the organisational values and business strategy?	1
3a	Is a vision of the company's relationship with the tax authorities included in the tax strategy?	If a&b 1
3b	Does the company include its vision on concluding tax agreements (rulings) with tax authorities?	If a&b 1
3c	Does the company describe its approach to applying for government incentives and subsidies?	1
4	Does the company describe how its approach to public policy lobbying and/or advocacy on tax is aligned with the tax strategy?	1

Principle	Description	Points
5	Does the company describe the processes for and outcomes of collecting and considering the views and concerns of stakeholders, including external stakeholders?	1
6a	Does the company describe how its sustainability (ESG) strategy is taken into account in the company's tax approach?	1
6b	Does the company describe how tax is taken into account to address specific ESG issues (e.g. carbon, green subsidies and incentives, plastic pollution, covid relief or sugar taxes)?	1
7a	Is the tax strategy signed off by the (executive) board and does the company explicitly state how frequently the board reviews the tax strategy?	1
7b	Does the company elaborate on how the supervisory board, or other independent board members if applicable, have been involved?	1
B	**Tax must be aligned with the business and is not a profit centre in itself**	
8	Does the company state in its tax strategy or elsewhere that its business operations lead in setting up international structures, i.e. that it declares profits and pays taxes where the economic activity occurs?	1
9a	Does the company explicitly communicate anywhere that it does not use 'tax havens' or 'non-cooperative jurisdictions' for its tax planning?	1
9b	Does the company disclose its definition of tax havens and/or non-cooperative jurisdictions (e.g. by aligning with a dedicated country list such as the EU black-listed countries, or with the OECD, Tax Justice or Fair Tax Mark)?	1
10	Does the company describe its taxes throughout the value chain and provide a list of the countries in which added value is taxed?	1

Principle	Description	Points
Narrative on tax rate	The effective tax rate (ETR) of organisations is usually not the same as the weighted average or parent company statutory tax rate. In general, this is for legitimate reasons, such as tax-exempt income and non-deductible expenses. Sometimes, however, an ETR that is (sometimes significantly) lower than the weighted average statutory tax rate can signify specific corporate structures aimed predominantly at the artificial reduction of tax bills to increase the profits available for distribution to shareholders. Based on the applicable accounting standards under both US GAAP and IFRS, companies are required to disclose a line-by-line reconciliation between the (weighted average) statutory tax rate and the ETR.	
11	Does the company disclose a reconciliation (table) showing the effective tax rate and the weighted average statutory tax rate reconciliation (either numerical or in percentages) and provide a narrative description?	1
12a	Does the company provide information like current corporate income tax payments, accrued corporate income tax, profit before income tax, accumulated earnings and FTEs on a country-by-country basis? (In cases where the company is domiciled in only one jurisdiction, this question refers to this jurisdiction.)	2
12b	Does the company provide a reconciliation of the country-by-country report to the financial accounts (to align with GRI: 207-4)?	1
Narrative on CbCR	Country-by-country-reporting (CbCR) is an important compliance requirement resulting from the OECD's BEPS action plan (action 13). Companies that are part of a group and have a consolidated annual turnover of EUR 750 million have to prepare and file a report which (amongst other requirements) shows how much tax they have paid and what the basis 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.	
13a	Does the company provide, on a per country basis, information on its taxes paid (direct taxes and other taxes like VAT, wage taxes, etc), along with government payments, government subsidies and incentives? (In cases where the company is domiciled in only one jurisdiction, this question refers to this jurisdiction.)	2
13b	Does the company provide information on a country-by-country basis (in cases of regional cap-and-trade schemes, per region is sufficient) on ESG taxes (e.g. carbon taxes, green subsidies and incentives, plastics tax, sugar tax or Covid-19 tax credit)?	1

Principle	Description	Points
C	**Respect the spirit of the law. Tax compliant behaviour is the norm**	
Narrative on compliance	Ultimately, managing tax is about filing the correct returns on time, making sure the returns are correct and complete, and ensuring that the payments are made on time. Being compliant with tax laws and regulations, statutory financial obligations and international accounting standards is the core responsibility of a tax function. We refer to taxes in general, e.g. CIT, VAT, wage taxes etc.	
14	Does the company explicitly communicate that its tax planning strategy takes the spirit of the law into account?	1
15	Does the company mention that it has a training programme in place on how to deal with tax (dilemmas) for its tax, legal and compliance officers?	1
16	Does the company's tax policy refer to the whistleblowers policy (or does the whistleblowers policy mention tax)?	1
17	Does the company explicitly mention in its tax strategy that it implements the Dutch Tax Code of Conduct (for Dutch companies from FY2022 onwards), GRI:207, B-Team and/or other relevant tax codes?	1
D	**Know and manage tax risks**	
Narrative on tax risks	Companies are required to state their largest risks in their annual report. The purpose of the following questions is to obtain a view on whether the organisation includes tax in its broader risk management approach and whether it references any material tax risks. If any tax risks are included in the risk overview in the annual report, they should be accompanied by an explanation of how the organisation remediates or manages these risks.	
18	Does the company explicitly describe its tax risk appetite?	1
19	Does the company report on specific tax risks, including: financial, regulatory and/or reputational risks and does it describe the risks in detail?	2
20	Is there a commentary/description of the company's response to these tax risks? (I.e. does it include an impact analysis for tax risk evaluation, which includes the likelihood of occurrence and the financial consequences of risks?)	1
21	Does the company describe the role of technology for tax relevant data management?	1

Principle	Description	Points
E	**Monitor and test tax controls**	
Narrative on monitoring	Has the company created a standardised approach for monitoring and testing the execution of its tax strategy and its controls? It is important to be able to see the full picture to ascertain whether the monitoring and testing takes place on a regular basis, and to ensure that the results are documented and communicated to ensure that they are followed up.	
22	Does the company describe how the implementation and execution of the tax strategy is monitored? (E.g. does it describe the financial threshold for transactions, the management of non-financial tax procedures, and who, how and what is monitored?)	1
23	Does the company describe how tax risks and controls are tested and monitored?	1
24a	Is tax risk management included in the reporting to the audit committee?	1
24b	Does the company describe how the audit committee has been involved with the tax department?	1
F	**Provide tax assurance**	
Narrative on tax assurance	Companies should be prepared to provide additional tax information to regulators, tax authorities and other stakeholders to provide for a certain level of assurance regarding tax data and processes.	
25	Does the company provide a tax in-control statement? Does the company provide the statement in full or just confirm its existence – e.g. by mentioning an explicit sign-off from the Board of Directors?	2
26	Does the company provide external tax assurance on the disclosed financial and non-financial tax information?	2
27	Does the company mention that it participates in a co-operative compliance programme or related scheme? (Anywhere)	1
28	Open question: Please describe your best practice on tax.	0

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