In-depth analysis of reporting trends using the GRI Tax Standard

A deep dive into the adoption of *GRI 207: Tax 2019* among a subset of the largest public companies worldwide

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Contents

1. *GRI 207: Tax 2019* global research 3

1.1 Background and purpose of this research 3
1.2 Key findings 4
1.3 Key recommendations for reporters 4
1.4 Recommendations per GRI 207 disclosure 5
1.4.1 GRI 207-1 5
1.4.2 GRI 207-2 5
1.4.3 GRI 207-3 5
1.4.4 GRI 207-4 5

2. Adoption by companies 6

2.1 Introduction 6
2.2 GRI 207 requirements 6
2.2.1 Overall view 6
2.2.2 Regional view 9
2.2.3 Sector view 12
2.2.4 Countries view 18
2.3 Additional research elements 21
2.3.1 Tax as a material matter/topic 21
2.3.2 Location of reporting 23
2.3.3 Ease of finding information 23

3. Articles 24

3.1 UNDP Tax4SDGs: taxes for fueling the SDGs 24
3.2 GRI 207-4 in the U.S.: investor demand for public tax disclosures greatly outpaces company adoption 27
3.3 Responsible business and investment: an approach to accelerate progress 28
3.4 Unleashing the superpower of tax with public country-by-country reporting 31
3.5 The unique opportunity of the UN Framework Convention on International Tax Cooperation 33
3.6 Exploring the integration of tax in EU sustainability regulations 36

4. Methodology 39

4.1 Company selection 39
4.2 Data gathering and company analysis 39
4.3 Sector and country view adjustments 40

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1. *GRI 207: Tax 2019* global research

1.1 Background and purpose of this research

This report is a collaborative effort between the Global Reporting Initiative (GRI) and Deloitte Netherlands, focusing on the qualitative adoption of the *GRI 207: Tax 2019* Standard (GRI 207) among 71 of the world's largest public companies[1]. It provides detailed insight on how reporting organizations are applying this Standard.

The report provides adoption analysis on GRI 207 and an overview of the reporting practices by selected companies. In addition, a series of articles are included, written by a variety of authors and organizations, including the UN SDG Tax Office, the FACT Coalition, Tax Justice Network, Resilience Capital Ventures, and Deloitte Netherlands.

The research follows on from and augments the 2024 publication, *Global adoption trends for the GRI Tax Standard*, which analyzed the 1,000 largest public companies worldwide and concluded that 26% refer to GRI 207 in their sustainability reporting.

This new publication seeks to inspire the further advancement of transparent and responsible business conduct in the context of tax. It includes key findings and recommendations (section 1.2 and 1.3), as well recommendations per GRI 207 disclosure (section 1.4). This is followed by a detailed GRI 207 adoption analysis (section 2), guest articles (section 3) and methodology (section 4).

As different authors use various names for *GRI 207: Tax 2019*, this report refers to it in multiple ways, including 'GRI Tax Standard', 'GRI 207', and 'GRI 207 Tax'. For the purposes of this report, definitions such as ESG and integrated reporting fall under the term sustainability reporting.

1 This report builds upon an earlier GRI report that provided an overview of the global mentioning of GRI 207 by the largest 1,000 public companies and adoption by various stakeholders: Allen, Perez, Ludena, Ozdemir, Reubzaet, Vermunt (2024). *Global adoption trends for the GRI Tax Standard, An analysis of the use of GRI 207: Tax 2019 by the 1,000 largest public companies worldwide.*

1.2 Key findings

1. 30% of the selected companies mention tax as a material topic. Tax is referred to in two ways: as a stand-alone material topic, and explicitly as part of broader topics, such as responsible business conduct.
2. Reporting on GRI 207-1, ‘Approach to tax’ is most complete. Meanwhile, GRI 207-4, ‘Country by Country Reporting’, is reported least complete.
3. From a regional perspective, Europe is leading with disclosing the GRI 207 requirements, for 62% of assessed companies.
4. From a sector viewpoint, Oil, Gas & Consumable Fuels are at the forefront, with 67% disclosing the GRI 207 requirements.
5. One fifth of the companies mention external assurance in their GRI 207 reporting.
6. 70% of the companies included their sustainability-related reporting on tax within the company’ sustainability report.

1.3 Key recommendations for reporters

The following recommendations are directed to all organizations that want to improve their reporting on tax-related impacts following GRI 207. They are based on an analysis of the most common gaps and shortcomings observed in the reports of some of the largest corporations that use this Standard.

1. **Address the GRI 207 reporting requirements in sufficient detail.** Several (sub) requirements are partially or entirely not addressed in the public tax reporting. This is especially applicable to the country-by-country reporting requirements (GRI 207-4) as many stakeholders ask for this information and, as our research shows, many companies lack to report. In addition, actual reporting sometimes fails to accurately address the specific reporting requirement, potentially leading to greenwashing perceptions. In this regard, the recommendation is to use the guidance as described in the GRI 207 Standard itself.

2. **Consider combining use of GRI 207 with other responsible tax initiatives** – such as the B-Team Responsible Tax Principles, and Fair Tax Mark. GRI 207 provides the international multi-stakeholder reporting standard, while the other initiatives offer further specific content and behavioral tax norms.

3. **When applying external assurance on GRI 207 reporting, be as clear as possible on the exact scope and level of assurance**, preferably using language that is understandable for non-tax and/or non-audit stakeholders.

4. **Don’t assume that nobody will read the GRI 207 reporting.** AI will. AI will also enable the accessibility of fast and in-depth comparisons with peers.

5. **Make your GRI 207 tax reporting easy to find for stakeholders.** In various cases, information is distributed across several locations, such as company sustainability reports, separate tax reports and web pages.

1.4 Recommendations per GRI 207 disclosure

1.4.1 GRI 207-1

- **Disclose the global tax policy instead of a local tax policy only.**
- **Specify which governance body or executive-level position formally reviews and approves the tax strategy** rather than referring simply to a team, 'by the management' or only the company name. In addition, companies should include how frequently this governance body or executive-level position reviews the tax strategy, as this information is often not provided.
- **Make a conscious choice when specifying the approach to regulatory compliance**, indicating whether the company considers only the letter of the law or also applies the spirit of the law. Be aware that only mentioning the letter of the law or not specifying at all might be interpreted as a sign of aggressive tax planning.
- **Describe how the approach to tax is linked to the business and sustainable development strategies.** This is about the fundamental view of the organization on the role of tax for supporting (and doing no harm to) company and societal sustainability goals.

1.4.2 GRI 207-2

- **Specify which governance body or executive-level position is accountable for compliance with the tax strategy**, as this information is currently often not provided.
- **Include how the approach to tax is embedded within the company.** For example, describe processes, projects and initiatives that support adherence to the approach to tax and tax strategy. This is also important to prevent tax greenwashing.
- **Specify in more detail how tax risk management is designed and monitored.**
- **Provide a clear and easy-to-find description of the external assurance received** (if any).

1.4.3 GRI 207-3

- **Ensure stakeholder engagement is comprehensive.** Although tax authorities are often explicitly mentioned, stakeholder engagement reporting also encompasses other relevant groups. These could include the management board, staff, clients, business partners, civil society, investors, and others.
- **Specify the approach the company takes regarding public policy advocacy on tax**, instead of disclosing general remarks such as engaging with authorities on law-making processes. The guidance to this requirement provides further detail on valuable information to report.

1.4.4 GRI 207-4

- **Apply the reporting requirements.** If this is not possible, consider the potential use of the reason for omission, as available in the GRI Standards. For example, mentioning the use of GRI 207 without actual reporting on GRI 207-4 could be perceived as tax greenwashing.
- **GRI 207-4 can be combined with other (mandatory) country-by-country reporting regimes**, like the EU Country-by-Country Reporting Directive, especially since both are largely based on the OECD BEPS Action 13 Country-by-Country Reporting Standard.

2. Adoption by companies

2.1 Introduction

This section includes an evaluation of 71 selected companies that use GRI 207. These companies are selected from the *earlier study* of the world's largest 1,000 public companies that have indicated 'Yes' for mentioning all four GRI 207 disclosures.[2]

The analysis evaluates the disclosed information for each GRI 207 reporting requirement, with ratings as follows:

- '*Yes*' for complete information provided under the requirement;
- '*Partly*' for partial information provided under the requirement;
- '*No*' for no information or largely no information provided under the requirement;
- '*Omission*' in case a reason for omission has been applied as provided in accordance with the *GRI 1: Foundation 2021* Standard (GRI 1).[3]

The visuals in this chapter are prepared according to each GRI 207 reporting requirement. The total set of requirements equals a score of 100%. Therefore, if 'Yes' is shown at 50%, it means that half of the requirements are (almost) fully met, with complete information provided under those specific requirements.

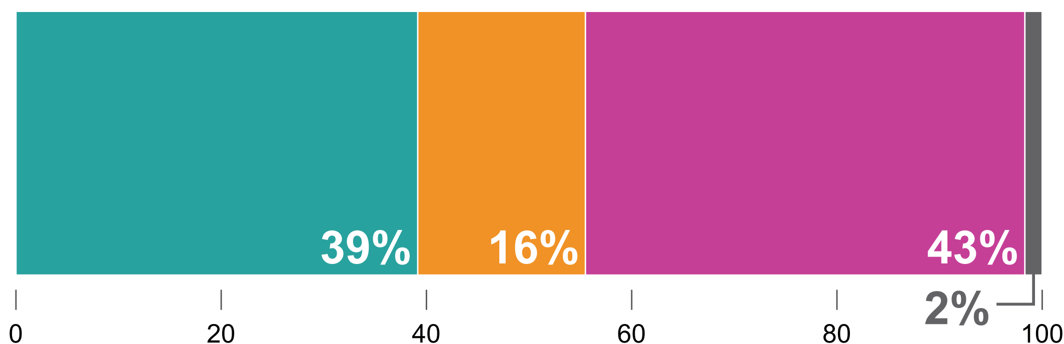
For a detailed description of the applied methodology and company selection, reference is made to section 4.

2.2 GRI 207 requirements

2.2.1 Overall view

This section shows an overview of the results based on the evaluation of the application of the GRI 207 disclosures across all 71 companies.

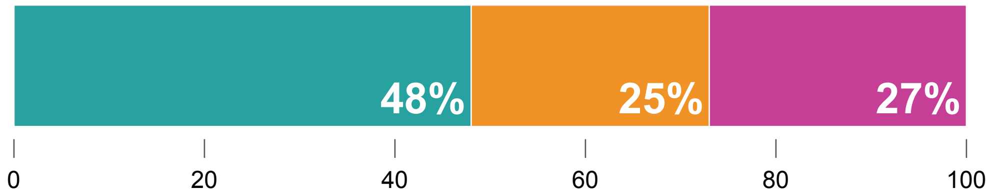
GRI 207: Tax 2019



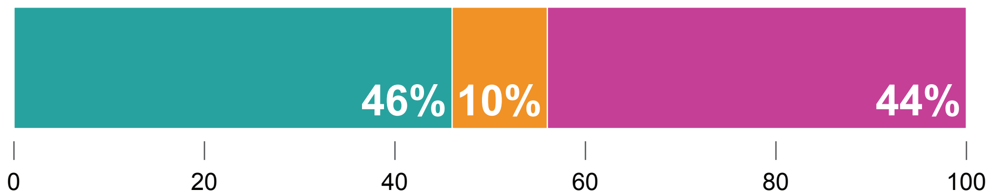
2 See section 5 for a detailed description of used methodology.
3 *GRI (2021). GRI 1: Foundation 2021*. Requirement 6.

The visuals below provide a breakdown of the GRI 207 application across the various disclosures.

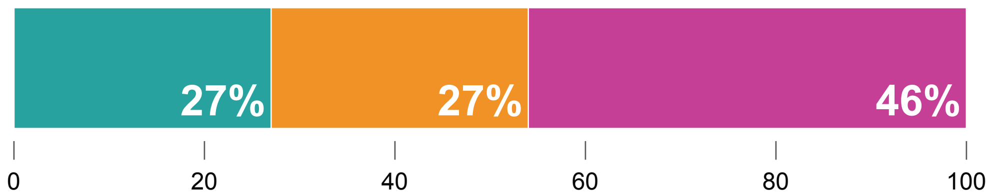
Disclosure 207-1 Approach to tax



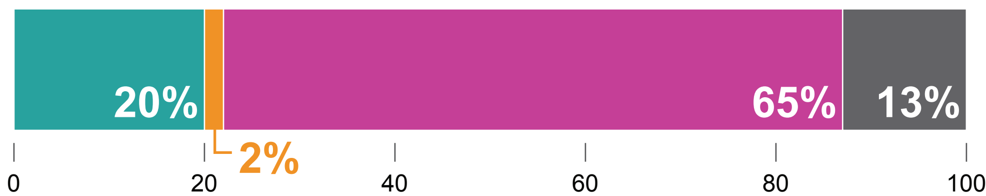
Disclosure 207-2 Tax governance, control, and risk management



Disclosure 207-3 Stakeholder engagement and management of concerns related to tax



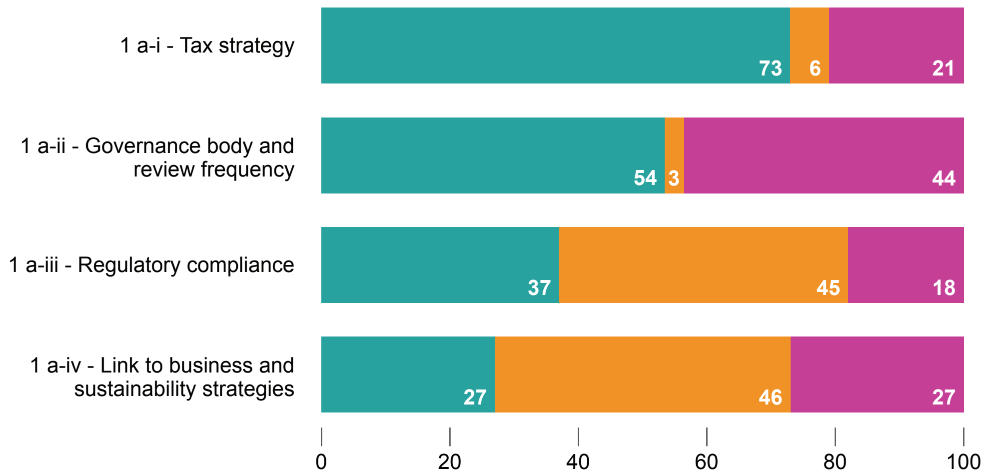
Disclosure 207-4 Country-by-country reporting



The visuals below provide a breakdown of each requirement across all 71 companies.

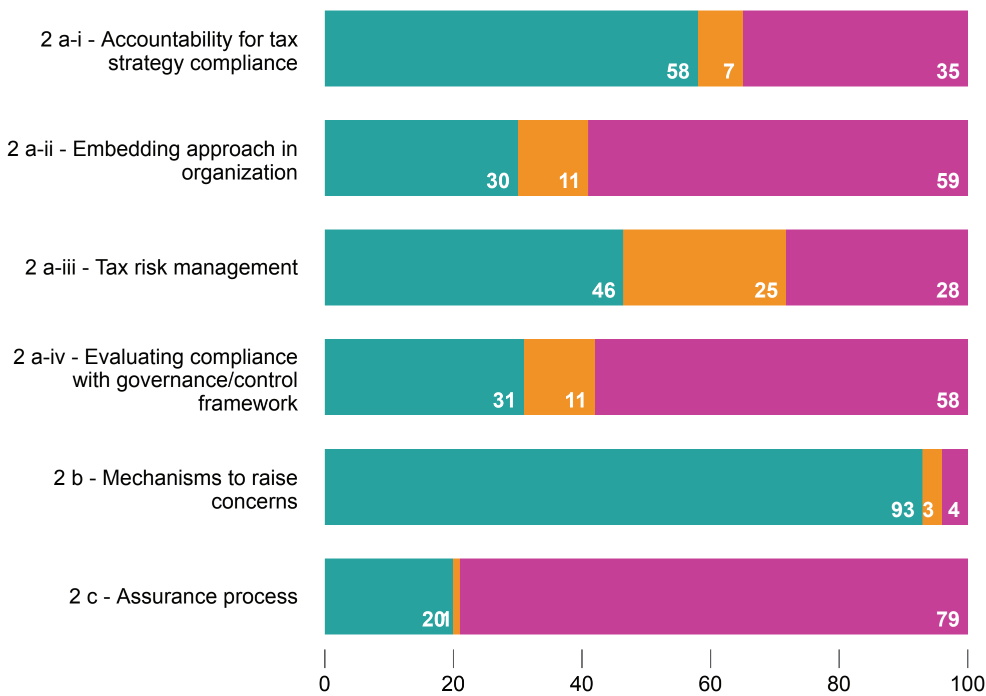
Disclosure 207-1 Approach to tax (%)

Yes Partly No

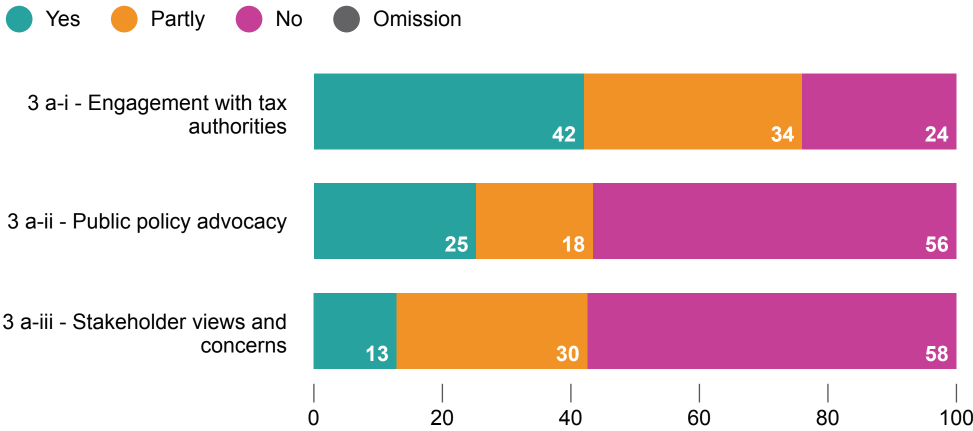


Disclosure 207-2 Tax governance, control, and risk management (%)

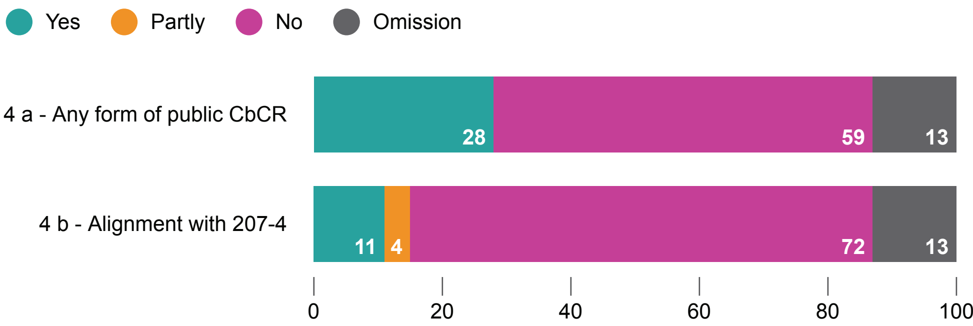
Yes Partly No



Disclosure 207-3 Stakeholder engagement and management of concerns related to tax (%)



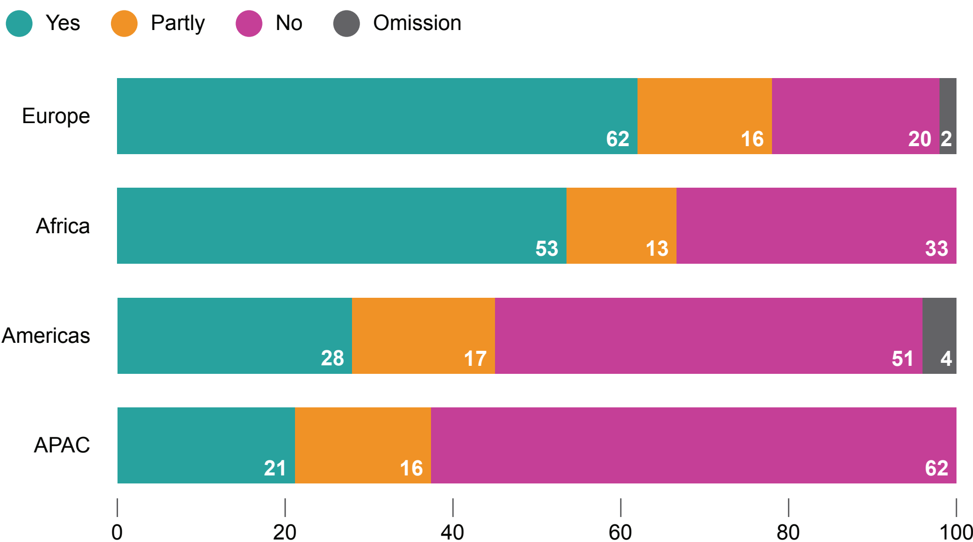
Disclosure 207-4 Country-by-country reporting (%)



2.2.2 Regional view

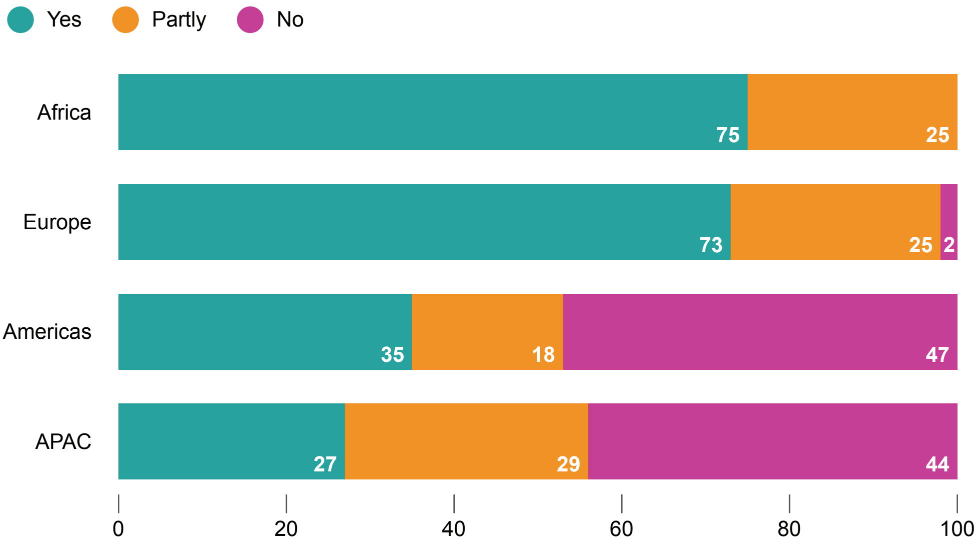
This section provides the regional perspective, illustrating how the application of the GRI 207 disclosures are distributed across all regions based on where each company is headquartered.

GRI 207: Tax 2019 per region (%)

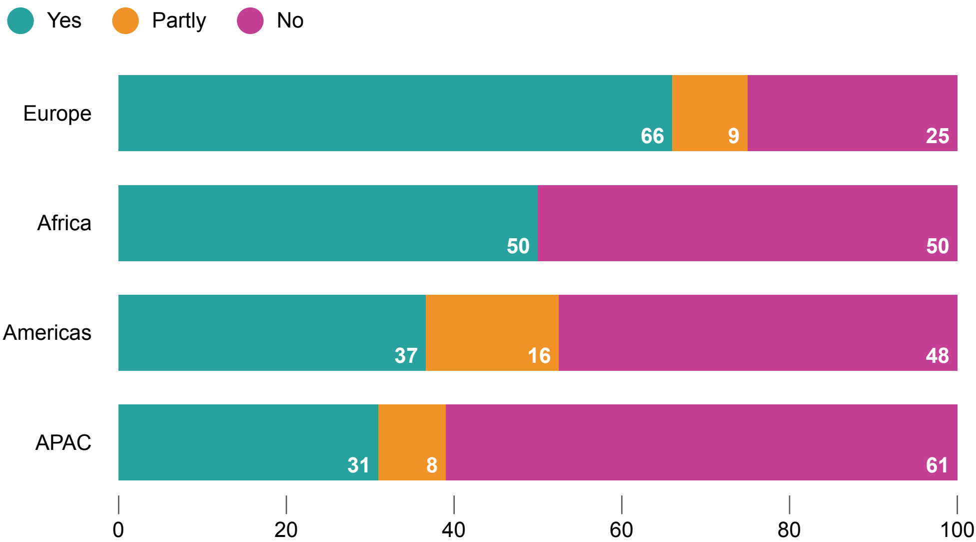


The visuals below provide a breakdown of the regional perspective, illustrating how GRI 207 is applied across the various disclosures.

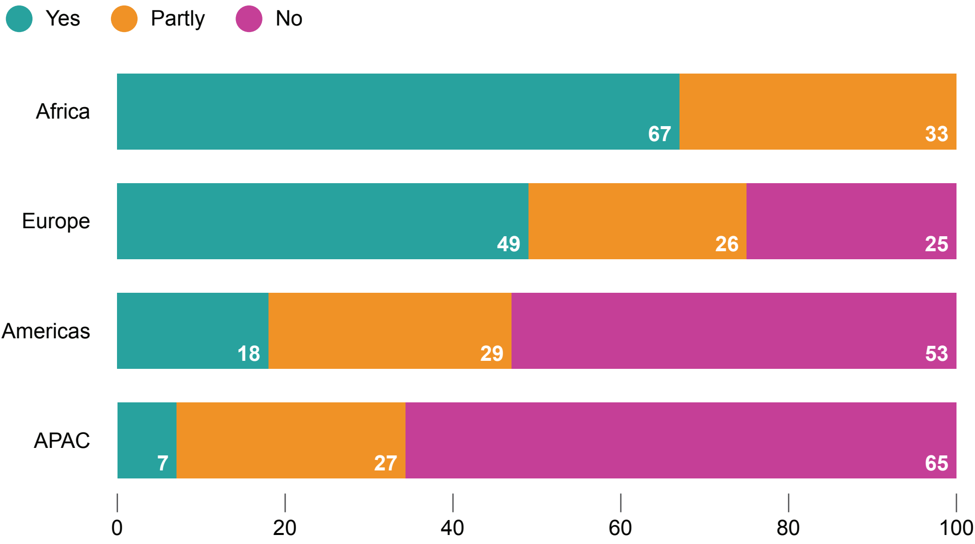
Disclosure 207-1 Approach to tax per region (%)



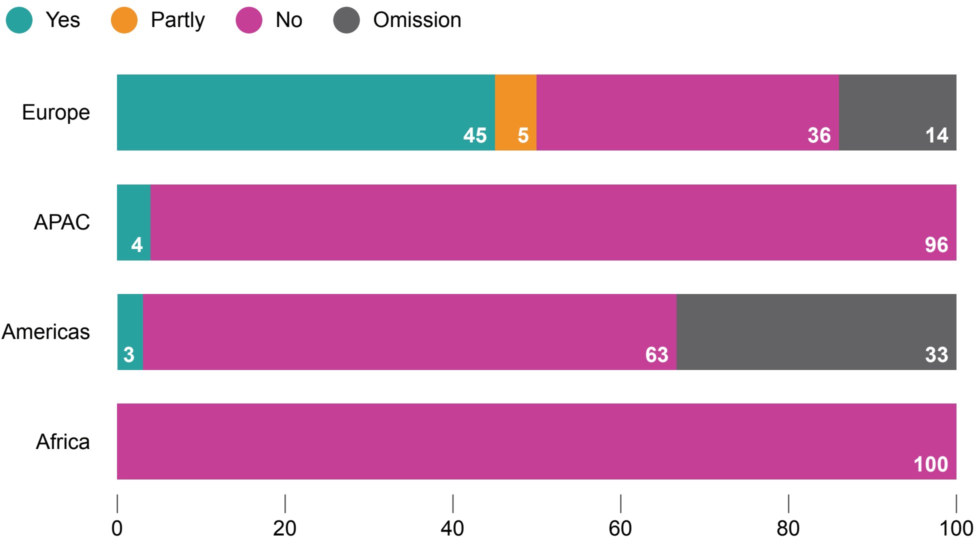
Disclosure 207-2 Tax governance, control, and risk management per region (%)



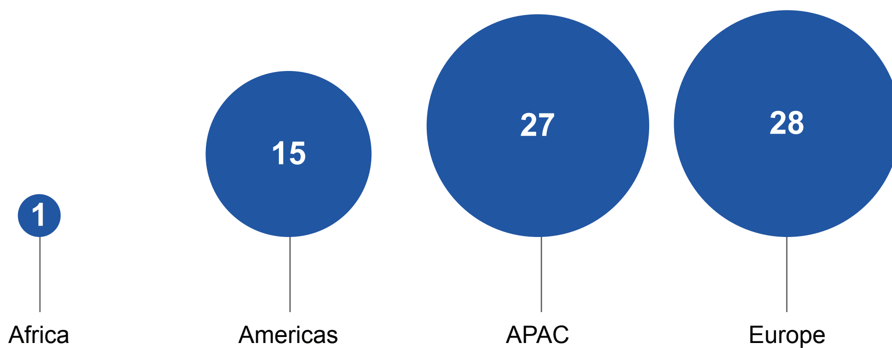
Disclosure 207-3 Stakeholder engagement and management of concerns related to tax per region (%)



Disclosure 207-4 Country-by-country reporting per region (%)



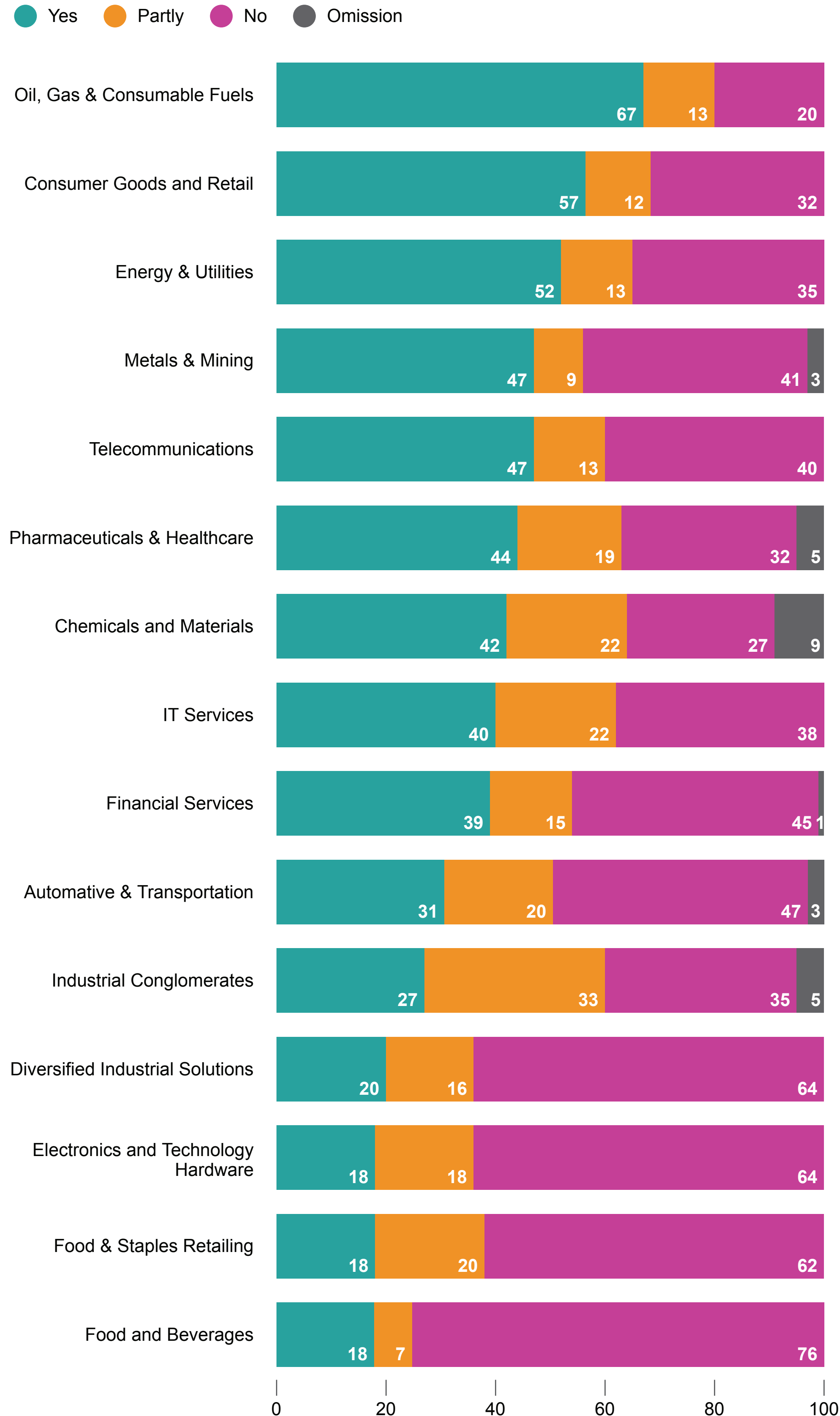
The visual below contains the number of companies that have been taken into account in the above visuals per each region.



2.2.3 Sector view

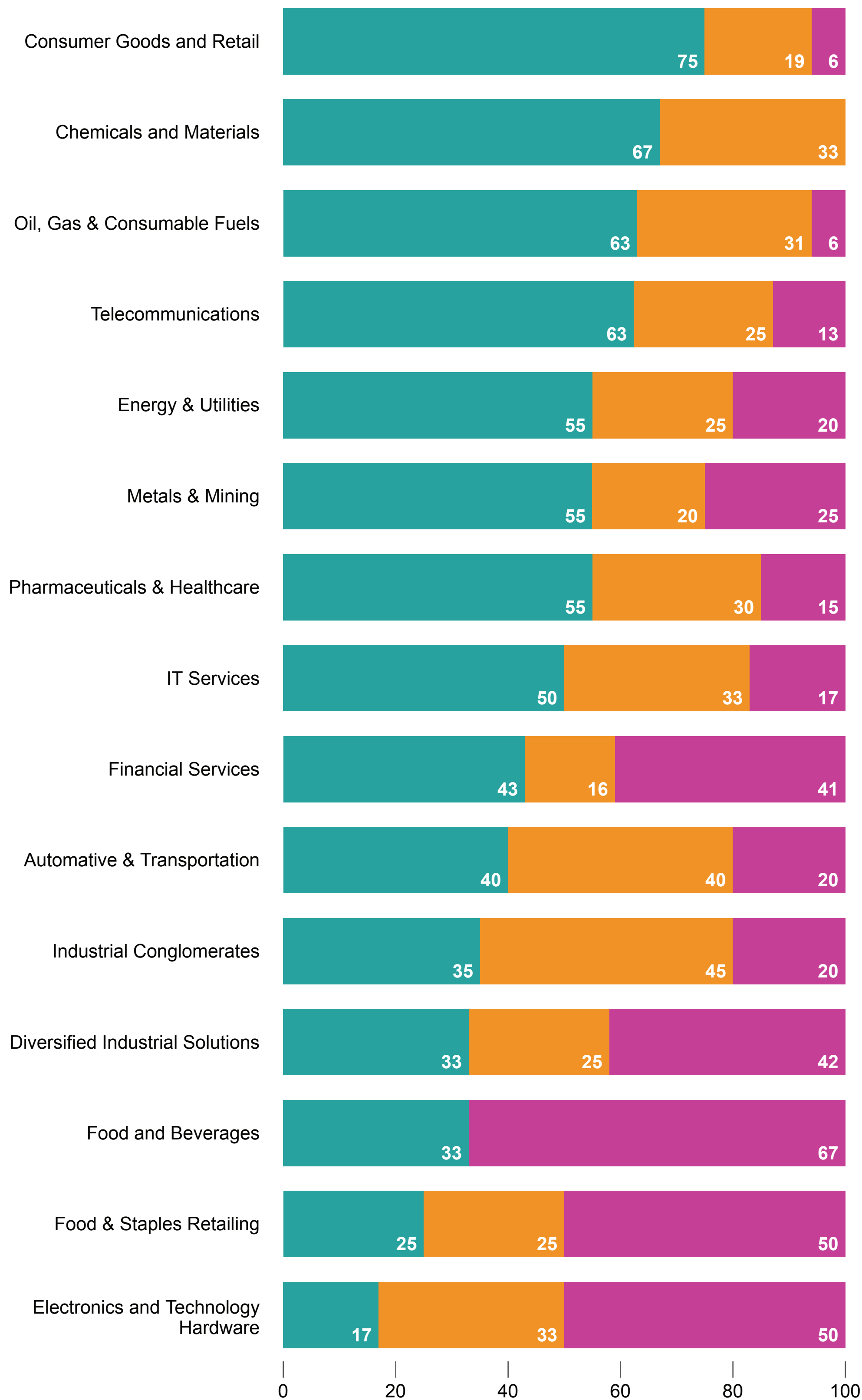
This section illustrates a sector viewpoint, showcasing how the application of the GRI 207 disclosures is distributed among various sectors.

GRI 207: Tax 2019 per sector (%)

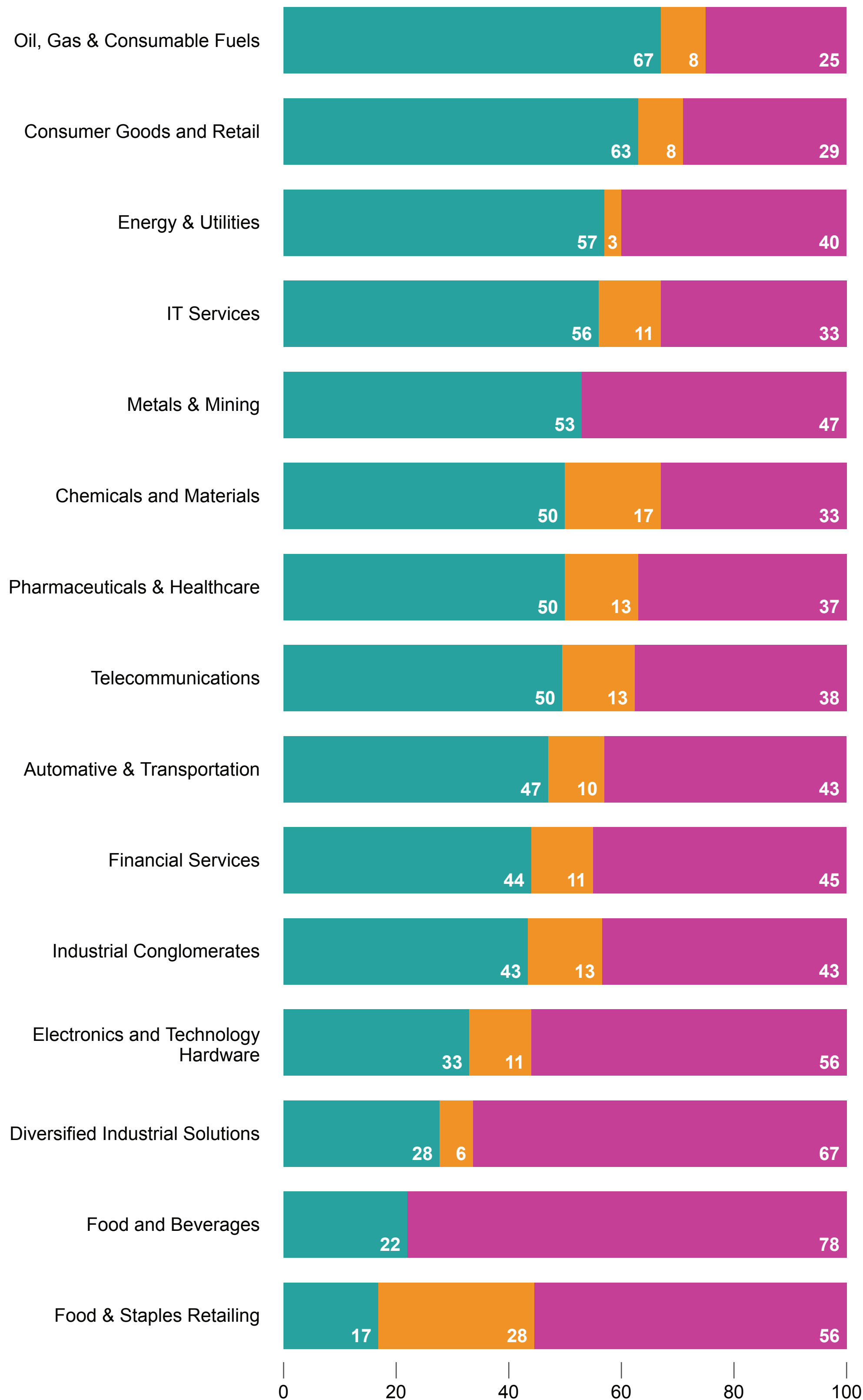


The visuals below provide a sector analysis, highlighting the application of GRI 207 across the various disclosures.

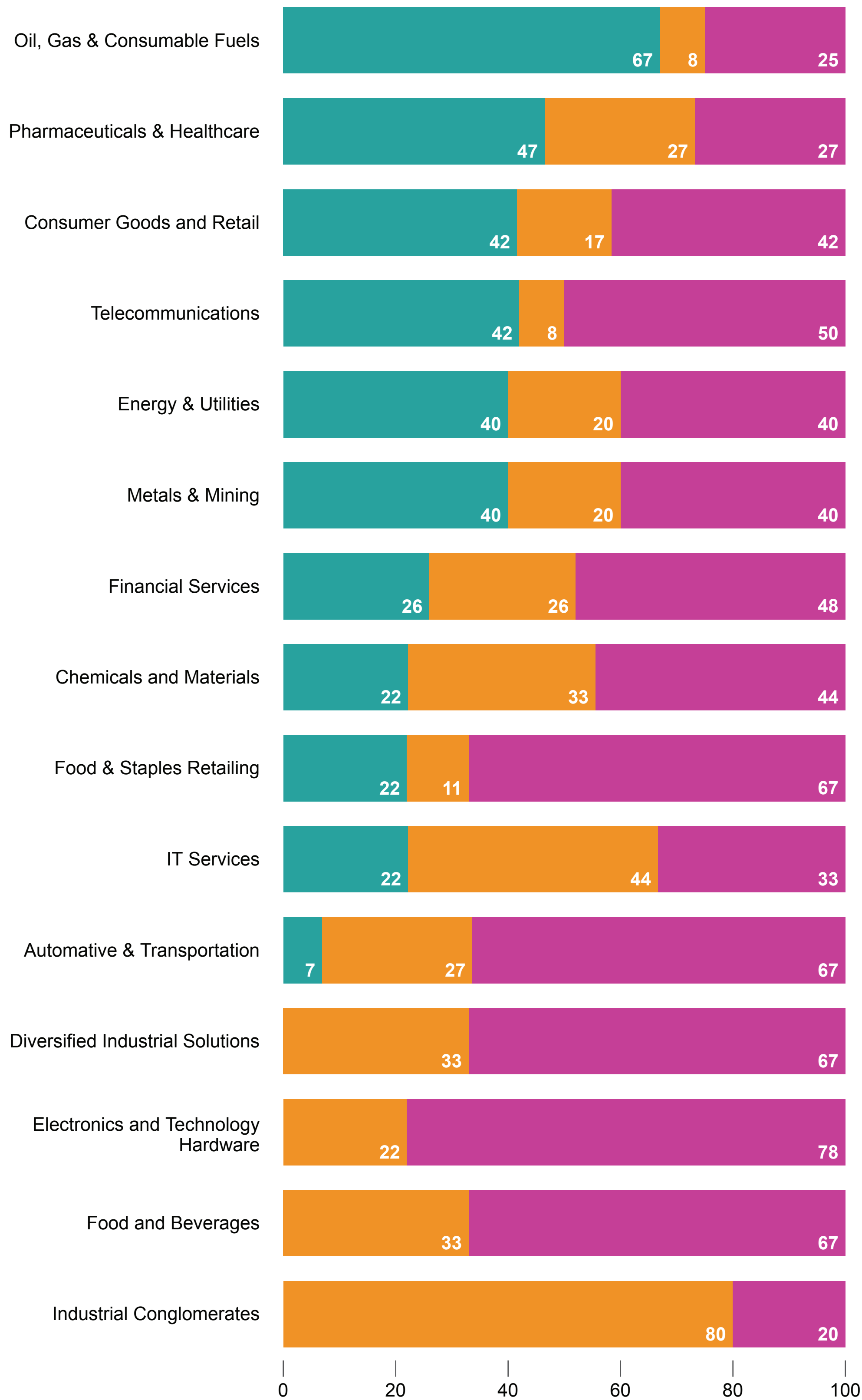
Disclosure 207-1 Approach to tax per sector (%)



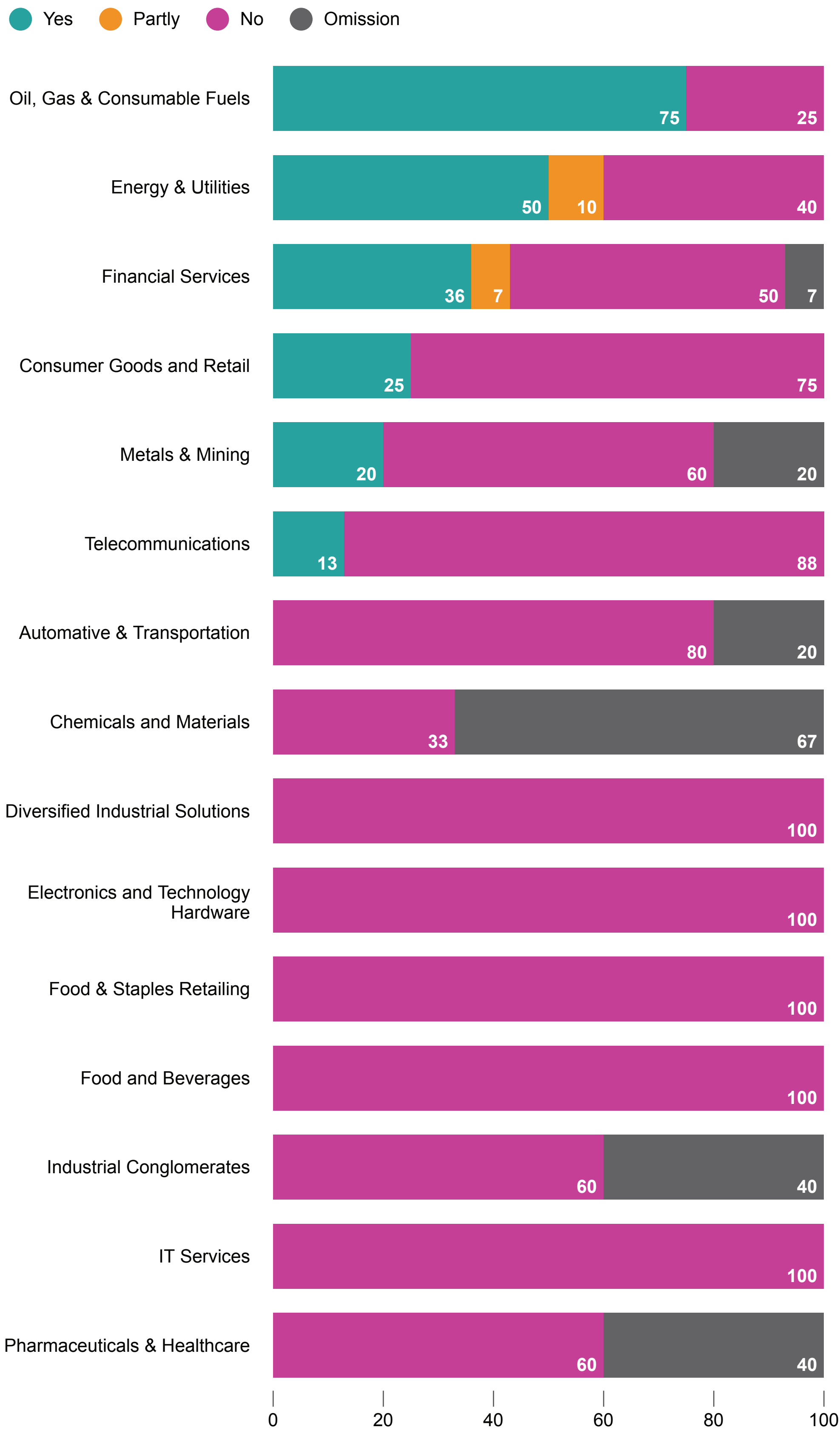
Disclosure 207-2 Tax governance, control, and risk management per sector (%)



Disclosure 207-3 Stakeholder engagement and management of concerns related to tax per sector (%)

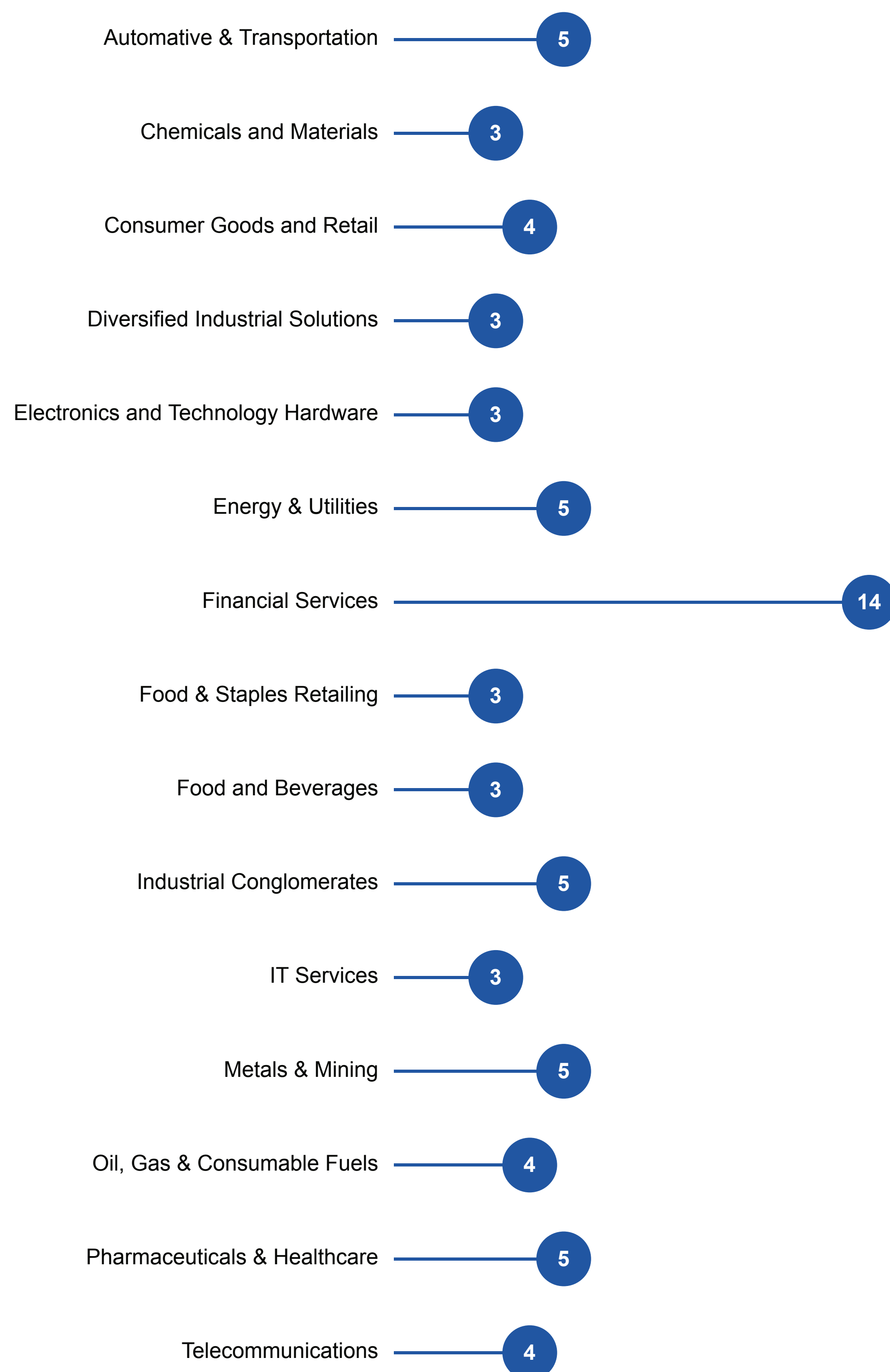


Disclosure 207-4 Country-by-country reporting per sector (%)



The visual below contains the number of companies that have been taken into account in the above visuals per each sector. Only sectors with more than three companies have been taken into account which results in an exclusion of two companies.

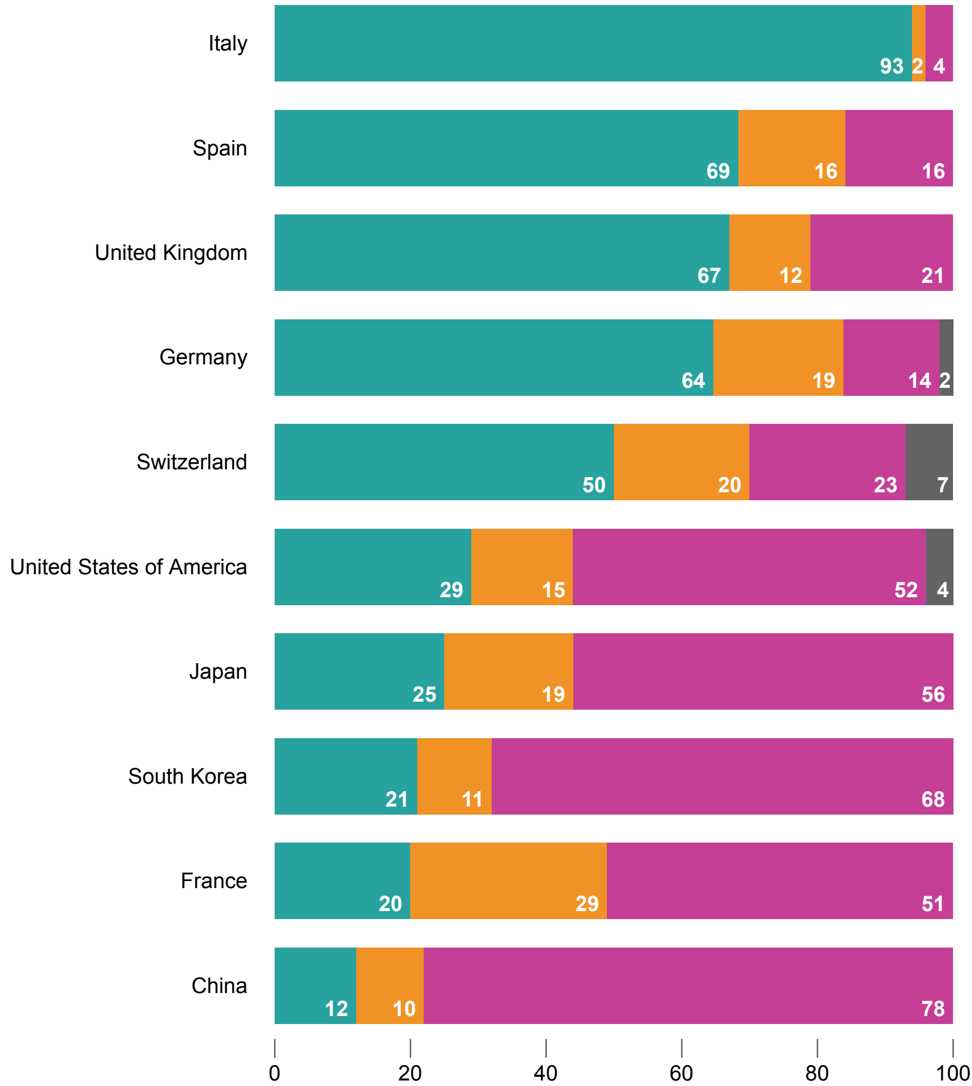
Number of companies per sector



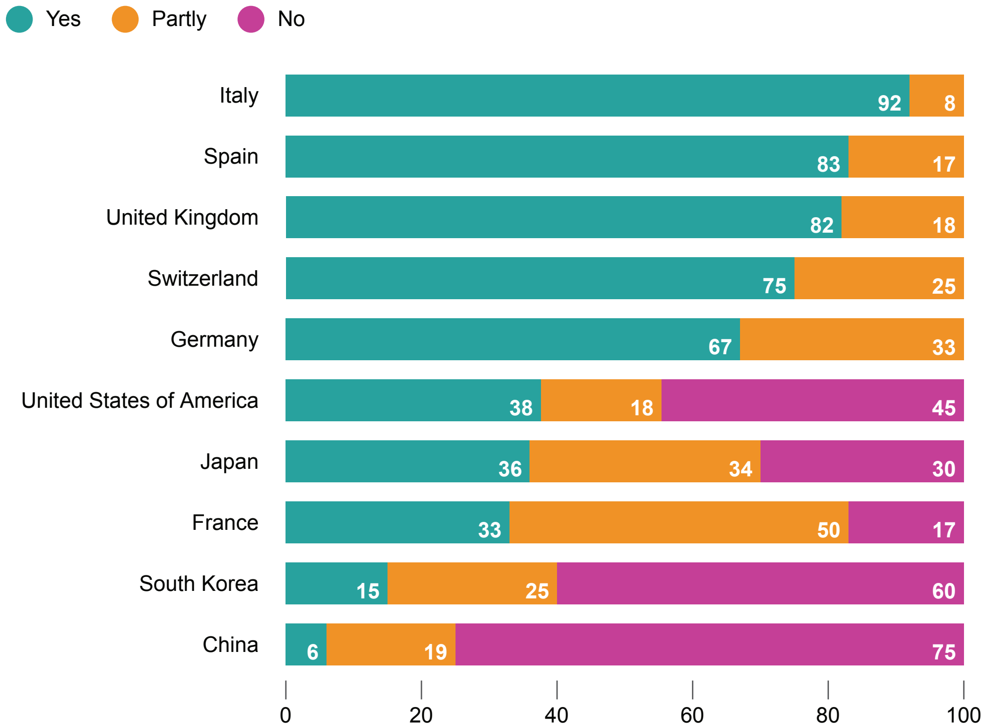
2.2.4 Countries view

This section provides a country view, illustrating the application of the GRI 207 disclosures across countries.

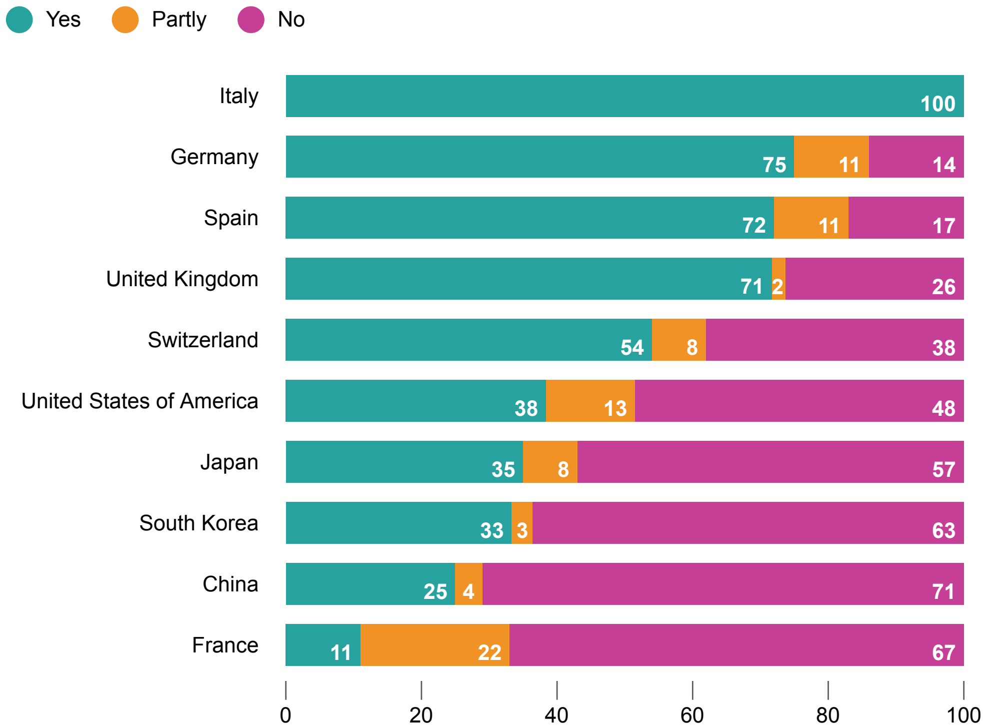
GRI 207: Tax 2019 per country (%)



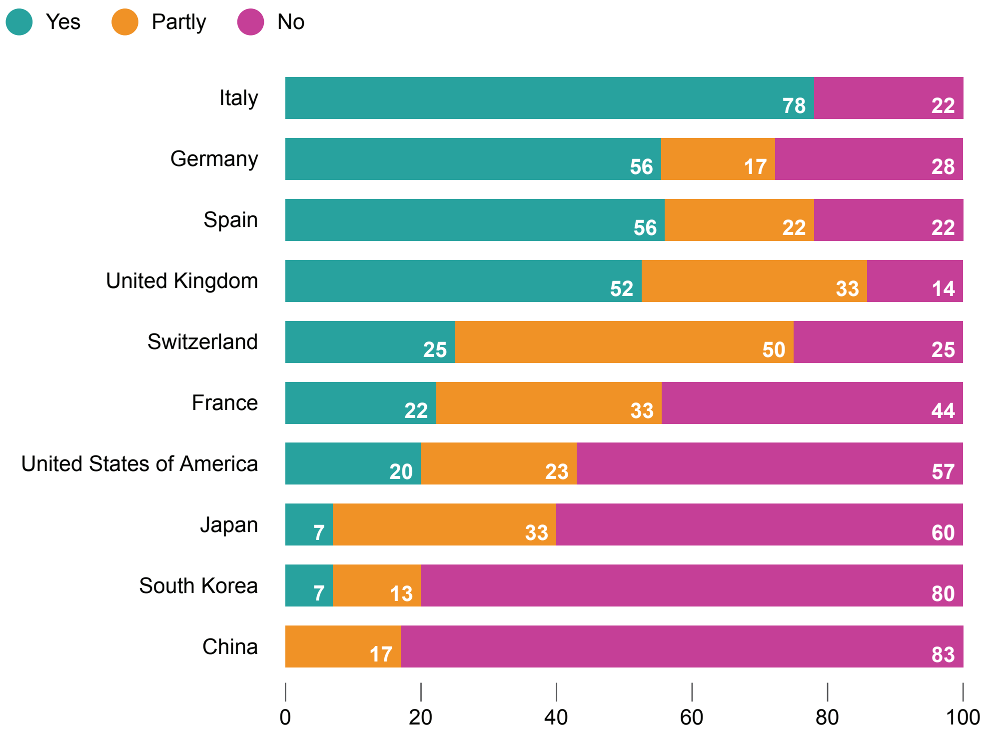
Disclosure 207-1 Approach to tax per country (%)



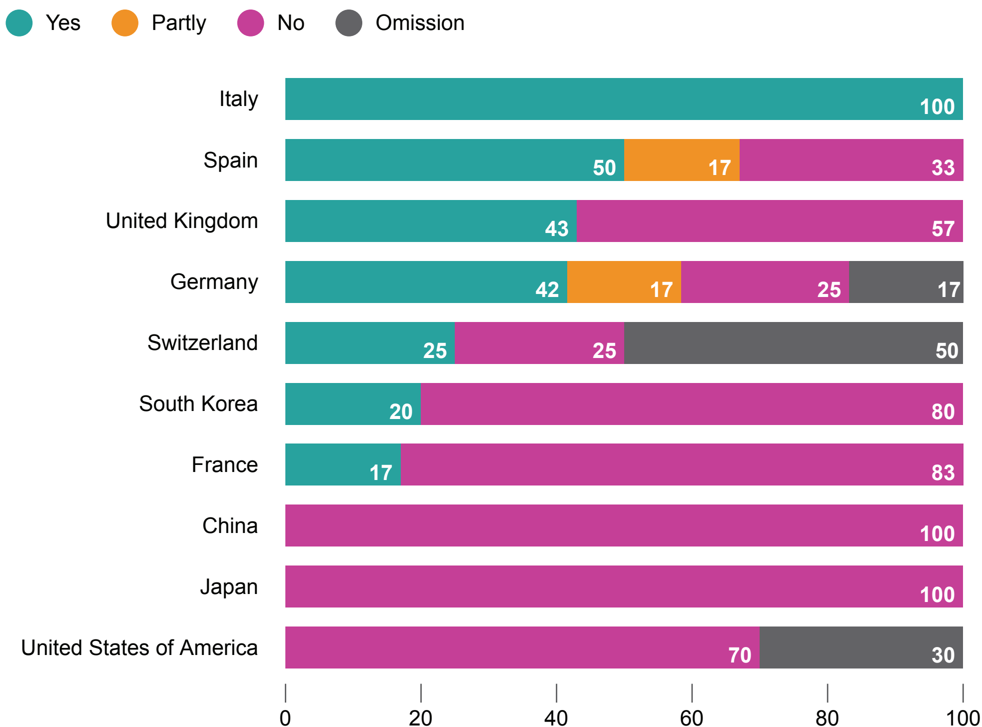
Disclosure 207-2 Tax governance, control, and risk management per country (%)



Disclosure 207-3 Stakeholder engagement and management of concerns related to tax per country (%)



Disclosure 207-4 Country-by-country reporting per country (%)



2.3 Additional research elements

In addition to analyzing reporting with GRI 207 for the 71 companies, three further elements have been researched:

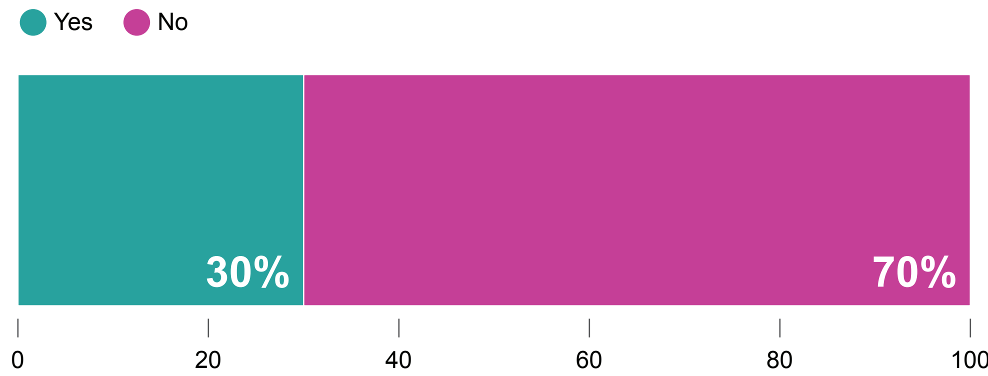
1. The qualification of tax as a material matter/topic ('Yes', 'No');
2. The location of GRI 207 reporting ('Annual/Financial Report', 'Sustainability/ESG/CSR Report', 'Web page', 'Other', 'Multiple');
3. The ease of finding the GRI 207 reported information ('1' = Difficult to find, '2' = Moderately easy to find or '3' = Very easy to find).

For a detailed description of the applied methodology, reference is made to section 4.

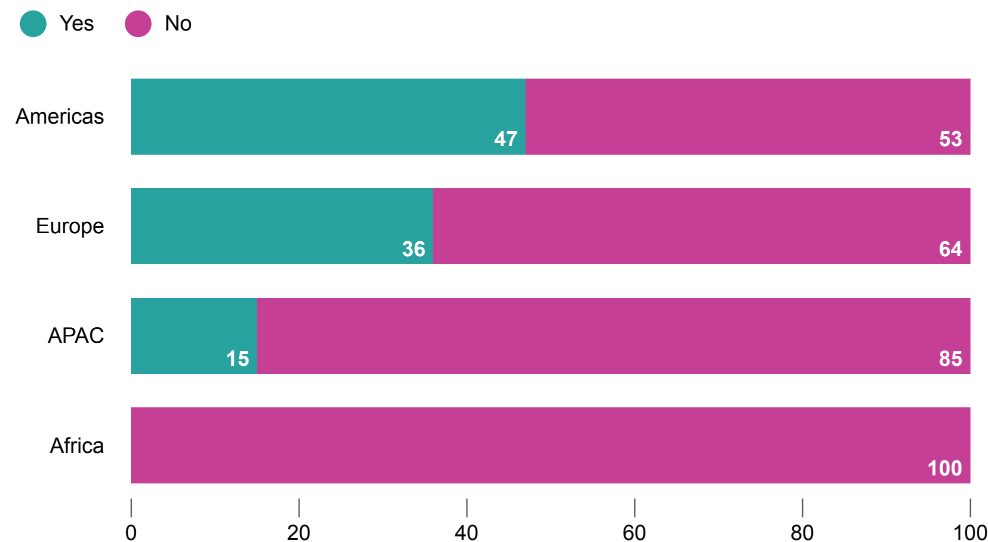
2.3.1 Tax as a material matter/topic

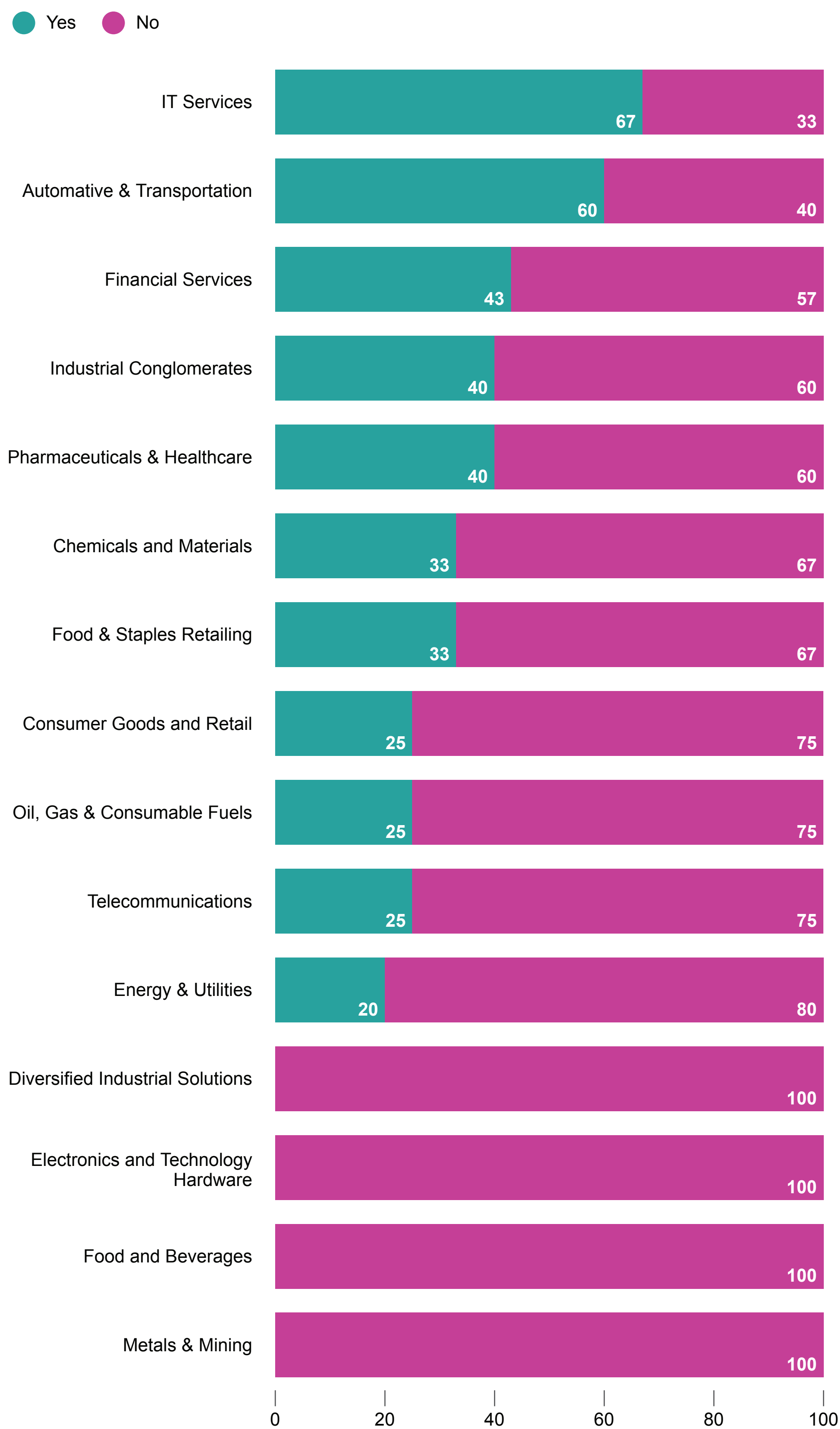
This section shows the percentage of 71 companies identifying tax as a material matter/topic, analyzed overall, by region, and by sector.

Tax as a material matter/topic



Tax as a material matter/topic per region (%)

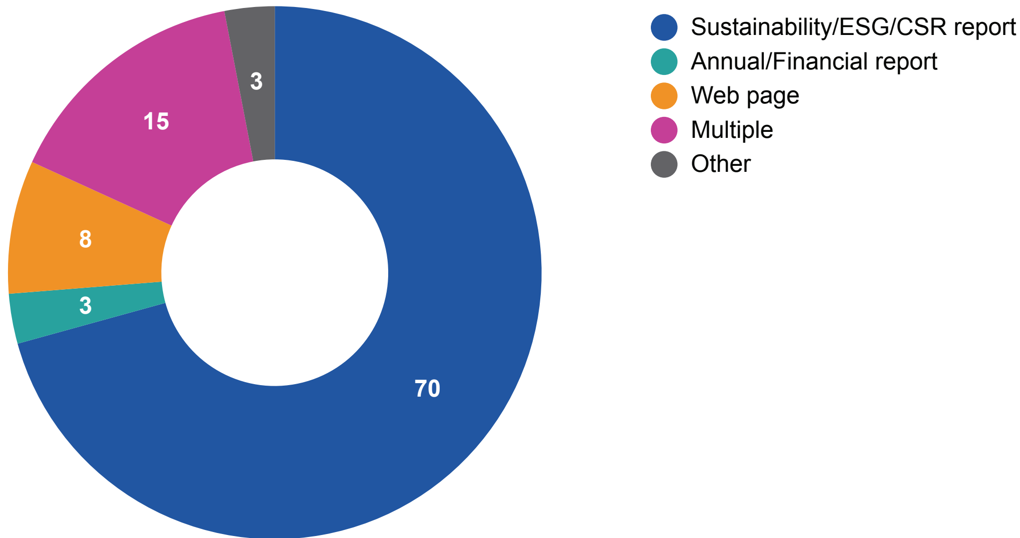



Tax as a material matter/topic per sector (%)
Yes
No
IT Services
67
33
Automative & Transportation
60
40
Financial Services
43
57
Industrial Conglomerates
40
60
Pharmaceuticals & Healthcare
40
60
Chemicals and Materials
33
67
Food & Staples Retailing
33
67
Consumer Goods and Retail
25
75
Oil, Gas & Consumable Fuels
25
75
Telecommunications
25
75
Energy & Utilities
20
80
Diversified Industrial Solutions
100
Electronics and Technology Hardware
100
Food and Beverages
100
Metals & Mining
100
0
20
40
60
80
100

2.3.2 Location of reporting

This section provides the locations where GRI 207 disclosures are found.

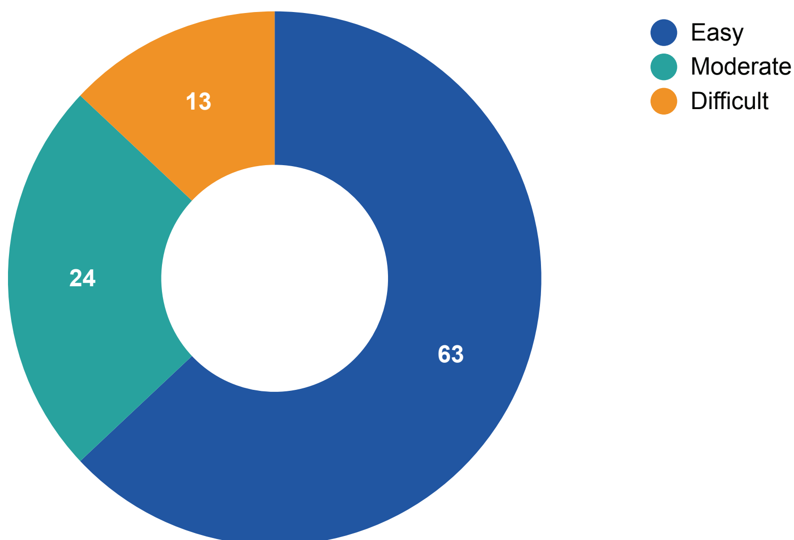
Location of reporting (%)



2.3.3 Ease of finding information

This section presents the ease of finding the disclosed GRI 207 requirements.

Ease of finding information (%)



3. Articles

To help put these findings on the adoption of GRI 207 into context, perspectives from a range of relevant stakeholders and authors are presented, including the UN SDG Tax office, the FACT Coalition, Resilience Capital Ventures, Tax Justice Network, and Deloitte Netherlands.

The opinions expressed in the following articles are those of the authors, and do not necessarily reflect the views of GRI or Deloitte.

3.1 UNDP Tax4SDGs: taxes for fueling the SDGs

By Ahtesham R. Khan, Head of Tax for SDGs, SFH; Peter Hurst, Tax for SDGs Specialist, SFH; and Sudarshan Rangan, Regional Program Specialist, Tax for SDGs & TIWB, Asia & the Pacific (UNDP)

The Sustainable Development Goals (SDGs) represent an ambitious blueprint for a sustainable, inclusive, and equitable future. Adopted by the UN General Assembly on 25 September 2015, the 17 SDGs with 169 targets and 232 indicators offer a roadmap for peace and prosperity for both people and the planet. These goals, which span poverty eradication, quality education, gender equality, climate action, and more, provide a shared framework to build a better world by 2030.

However, at the midpoint to 2030, the SDGs are in jeopardy, with many significantly off-track. A preliminary assessment of around 140 targets shows that only about 12% are on course, while more than half are moderately or severely off track. Around 30% of the targets have seen either no movement or have regressed below the 2015 baseline. The global pandemic, climate disasters, conflicts, rising debts, and inflation have all contributed to these setbacks. More than 50 developing countries are currently at risk of debt distress, and resources are misaligned with SDG goals – for instance, US$7 trillion was spent on fossil fuel subsidies last year. Domestically mobilized revenues, essential for development and climate finance, have been severely impacted. In this challenging context, the need for sustainable tax systems has never been more pressing.

Tax4SDGs: taxes for fueling the SDGs

Given this sobering landscape, the linkages between robust tax policies and the SDGs are vital. Historically viewed primarily as a financial obligation, taxation is increasingly recognized as a tool for achieving inclusive and sustainable development. It can serve as a lever for driving societal progress, fostering strong social contracts, and directly impacting key SDGs related to health, climate, and governance.

UNDP, through its *Sustainable Finance Hub*, plays a key role in addressing financing gaps for the SDGs by fostering financial governance that promotes collaboration among governments, civil society, and the private sector. UNDP's involvement in taxation, especially through initiatives like Tax Inspectors Without Borders (TIWB), has proven pivotal in helping developing countries to collect the revenue owed by multinationals. TIWB programs facilitate independent case management and successful multinational audits, while also enhancing the confidence of local tax auditors. In addition, such programs encourage shifts in taxpayer behavior towards increased compliance and responsiveness. Since its inception, TIWB assistance has helped tax administrations in developing countries generate an additional US$ 2.3 billion in tax revenues and US$ 6.05 billion in tax assessments across 62 jurisdictions in Africa, Asia and the Pacific, Eastern Europe, and Latin America and the Caribbean.

Building on this, the Tax for SDGs Initiative – funded by the governments of Finland and Norway – supports countries in bolstering domestic resource mobilization and leveraging tax policies to achieve sustainable development, influencing behavior toward outcomes linked to climate, well-being, and governance.

Currently active in 25 countries across various regions, the Tax4SDGs initiative focuses on three key outputs:

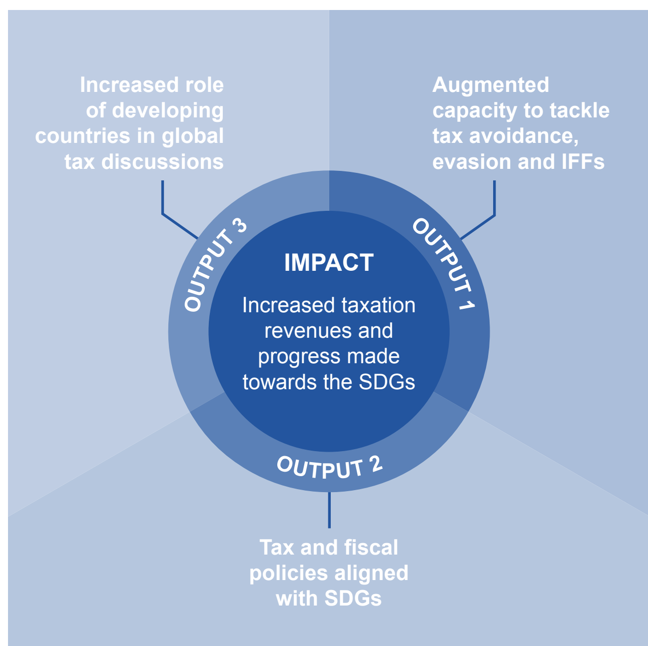


Figure 1. Three key outputs according to Tax4SDGs.

Tax4SDGs is currently active in 25 countries globally focusing on the major outputs as depicted above. We have outlined below some of the key impacts that we have delivered in each of the outputs including an indicative list of activities undertaken.

OUTPUT 1

Enhance the capacity of national tax administrations to tackle tax avoidance, tax evasion, and other illicit financial flows (IFFs)

IMPACT STORY

Tax crimes investigation capacity enhancement in Maldives

Leveraging on our TIWB expertise, the initiative had positive impact from the criminal investigation program in Maldives. The Maldives Inland Revenue Authority (MIRA) has been receiving support from an Australian criminal tax investigations expert under the TIWB initiative since 2021. Progress has been achieved in formulating a tax crime investigation strategy, with MIRA having the TIWB expert review a draft of its Tax Crime Strategy. Collaboration with TIWB has significantly enhanced MIRA's investigative capacity. Under the guidance of the TIWB expert, an agreement was reached between MIRA and the Economic Crime Department of the Maldives Police Service to create a framework to facilitate simultaneous investigations. The initiative will also provide further training, with an emphasis on analysis techniques and the creation of intelligence products for detecting tax crimes.

OUTPUT 2

Align tax and fiscal policies with the SDGs through the SDG Taxation Framework (STF)

The STF is a comprehensive tool developed by the team to bring an SDG centered analysis to tax policy and administration. As the SDGs identify 'what' targets need to be achieved, the STF explains 'how' to achieve them from a tax perspective. The STF follows a three-step process: self-evaluation report, recommendations, and a country support plan.

The STF was piloted initially in nine countries including Armenia, Angola, Colombia, Lebanon, Nigeria, and Sri Lanka, with a focus on gender equality, health taxes, energy transition, carbon taxation, and enhancing digital tax administration. Based on the STF mission in Sri Lanka, we realized the need to renew the broken social contract and initiated taxpayer related activities to foster the trust & increased transparency between the taxpayers & the tax administration.

IMPACT STORY

Enhancing service delivery in Sri Lanka's tax administration through insights gained from Sri Lanka's first-ever National Taxpayer Perception Survey.

Our initiative in Sri Lanka aims to transform the country's tax administration by enhancing service delivery and public trust, rooted in insights from the nation's first-ever National Taxpayer Perception Study. Conducted across all nine provinces, this comprehensive study revealed key challenges faced by taxpayers, such as low satisfaction with Inland Revenue Department (IRD) services, perceived corruption, and difficulties in navigating the complex tax system. In response, we've outlined targeted recommendations to address these issues, including improving IRD communication channels, investing in staff training, launching user-friendly digital platforms, and expanding public education on tax processes. By implementing these improvements, Sri Lanka's tax system can become more transparent, accessible, and responsive, fostering higher compliance and aligning with the country's broader development goals.

OUTPUT 3

Integrating developing countries' perspectives into global tax policy discussion

Leveraging tax and fiscal policies to advance the SDGs face multiple challenges, including complex tax rules and structures, capacity gaps in tax administrations, and perceived injustices in national and international tax norms. Therefore, there is an urgent need to share experiences, best practices and challenges on the ground and intensify efforts towards policy solutions that steer tax systems towards accelerating progress towards the 2030 Agenda. This output is exemplified by the flagship Columbia Dialogue

on Tax and SDGs. The dialogue had its inaugural event in 2022 and the second edition in 2023, which was attended by over 360 participants from 61 countries, highlighting the critical role of tax in achieving the SDGs and promoting peer-to-peer learning and interdisciplinary approaches to sustainable tax policy.

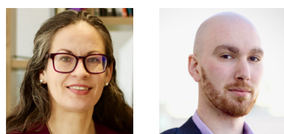
Envisioning a sustainable tax system fit for future

During the 79th session of the UN General Assembly in September 2024, world leaders adopted the "Pact for the Future," which addresses key issues, including the reform of the international financial architecture to reduce inequality and support development goals. The current challenges facing the global economy offer a unique opportunity for systemic change through an integrated approach to economic policy and financial governance. A combined approach to tax, financial transparency, and debt management could create a powerful cycle of positive change.

Better tax policies would boost local resources, clearer financial disclosures would encourage responsible investments, and effective debt management would unlock funds for development. Together, these actions can strengthen the global financial system, promoting stable and inclusive growth – especially in developing countries.

As multilateralism is being revitalized, UNDPs Tax4SDG initiatives provides a crucial platform for nations to collectively shape tax systems that promote sustainability, inclusivity, and shared prosperity. The upcoming Fourth International Conference on Financing for Development (FFD) in Spain in 2025 offers a pivotal moment for stakeholders to unite, emphasizing domestic resource mobilization as a core element. Building on the foundation of the Addis Ababa Action Agenda, this conference aims to reshape the international financial architecture, ensuring sustainable financing to meet global development goals. As the FFD articulates, "*financing for development is more than a goal; it's a global responsibility we must share to ensure prosperity for all.*"

3.2 GRI 207-4 in the U.S.: investor demand for public tax disclosures greatly outpaces company adoption



By Zorka Milin, Policy Director, and Thomas Georges, Policy and Communications Officer (The Fact Coalition)

GRI's Disclosure 207-4, Public country-by-country reporting (CbCR), is the backbone of the 207 Tax Standard and the main way for multinational companies to demonstrate their commitment to tax transparency. Many stakeholders, from investors seeking to assess *material risks to their portfolios*, to policy makers, journalists and watchdog groups, have an interest in this information, and dozens of major multinationals are now voluntarily producing these reports.

In the U.S., voluntary adoption of public country-by-country reporting among businesses has lagged substantially behind investor demand. Shareholder resolutions calling for public CbCR in line with GRI 207-4 from major U.S. multinationals *Amazon*, *Microsoft, Cisco*, *Exxon, Chevron, and ConocoPhillips* each had strong showings in 2022 and 2023. Increasingly, however, investors recognize that only a mandatory U.S. disclosure regime can close the considerable information gaps that currently exist with regard to the tax practices of major multinationals. To that end, just this summer, investors with $2.3 trillion in assets under management *filed a petition* calling on the U.S. Securities and Exchange Commission (SEC) to mandate disclosures in line with GRI 207-4 for publicly-traded companies.

Investors in the U.S. have consistently demanded not only country-by-country reports, but reporting specifically in line with GRI 207-4: they rightly see GRI's CbCR Standard as the strongest and most proven voluntary tax transparency standard in the world. When investors see dozens of multinationals from around the globe willing to open up their books and disclose country-level reports under the GRI standard, it raises the question of why the U.S. – home to nearly one-half of the world's major multinationals – only has *two companies* willing to do the same.

Change is coming for U.S. multinationals, however. *Recent analysis* by the EU Tax Observatory estimates that as many as half of all large U.S.-headquartered multinationals will be captured by upcoming country-by-country reporting requirements in Australia, with many more expected to be captured under similar, if limited, reporting requirements in the EU. Australia's nascent CbCR regime is, itself, based on GRI 207-4, and though it only requires reporting on a limited number of jurisdictions, the government intends to provide affected companies the option to voluntarily disclose information for every country of operation. U.S. lawmakers also signaled their support for public CbCR in 2023 with the *reintroduction* of the Disclosure of Tax Havens and Offshoring Act, which would require disclosures in line with GRI 207-4 for U.S.-listed companies.

A number of new disclosure regimes in the U.S. will also require major multinationals to publish additional tax-related information. As of September 2024, payments-to-governments disclosures under Section 1504 of the Dodd-Frank Act are, for the first time, giving investors and the general public a look into the jurisdiction-level tax contributions of major U.S.-based oil, gas and mining companies. Another recent, more wide-reaching *update* by the Financial Accounting Standards Board (FASB) entered into force at the end of 2024, and requires enhanced disclosures on cash taxes paid to individual jurisdictions and effective tax rate reconciliation from public companies, including disclosures on the impact of specific foreign jurisdictions on a given firm's overall tax liability.

There are good reasons that American multinationals should go above and beyond these new disclosure requirements and provide true country-by-country reports, however. A number of companies that have been reporting under the GRI 207 Standard for years have found that public tax reporting, rather than representing a reputational risk, *actually builds trust* with the public. In the words of Alan McLean, former Executive Vice President for Tax at Shell, being more transparent "*has strengthened trust in Shell, and it continues to strengthen our relationships with our customers, investors, policymakers and others.*"

Despite the arguments frequently made by some American multinationals against these disclosures, Shell is not alone in this regard. Many of the world's largest oil and mining companies – often some of the most heavily scrutinized firms by the public – including not only Shell, but also British Petroleum, BHP, Hess, Newmont, and Rio Tinto, already produce country-by-country reports in line with the GRI Standard. These firms, which all have operations and are publicly traded in the U.S., understand that there is much to be gained from voluntary tax transparency, at relatively little cost in terms of compliance.

International momentum for greater corporate tax transparency – whether in the form of widespread voluntary adoption of GRI 207-4 or mandatory disclosure regimes advanced by national governments – is not slowing down. It is high time that American multinationals join their peers across the world in opening their books to show not only their commitment to transparency, but also their contributions to the communities that they operate in.

3.3 Responsible business and investment: an approach to accelerate progress

By Gillian Marcelle, Chief Executive Officer (Resilience Capital Ventures)

Our world is facing grave challenges that cannot be met or overcome without enrolling the global business sector. The financial capital, influence, skills, knowledge and ability to take action of business firms are needed and must be mobilized.

The term "*polycrisis*" describes a situation where multiple, interconnected crises emerge simultaneously, reinforcing and exacerbating each other. These crises – whether environmental, economic, political, or social – do not exist in isolation but influence one another, creating complex feedback loops. For example, the climate crisis worsens economic inequality, which in turn destabilizes political systems and deepens social divides. In essence, the polycrisis is not simply about the number of crises, but about how these crises converge and intensify, creating a web of vulnerabilities that is greater than the sum of its parts. This phenomenon has become increasingly evident in recent decades, especially in the wake of significant events such as the 2008 financial crisis and the ongoing climate emergency.

Therefore, the polycrisis requires a systemic approach to problem-solving, as isolated solutions may overlook the interconnectedness of issues. For instance, addressing climate change without considering its economic and social impacts might lead to inequitable outcomes. Moreover, global responses like the Paris Agreement often struggle to fully account for the complexities, especially divergent starting points. It is important to have contextually sensitive and nuanced approaches that take the diversity of regions and countries into account. This approach challenges traditional crisis management approaches and calls for more integrated, cross-sectoral strategies. We are grateful to see that, in October 2024, the President of the World Bank laid out a new mission and defined the need to *tackle the polycrisis*:

> *"Today, we face a world of unparalleled complexity – poverty, climate change, conflict, and pandemics are intertwined. The modern requirements of reconstruction and development call for an institution that is faster, simpler, and more impactful; capable of addressing the challenges of our time at an unprecedented scale."*
> – Ajay Banga, World Bank Group President

An approach to responsible business and investment: The Triple B Framework

Moving towards responsible business practices requires new thinking and approaches to systems change, our advocacy carried out together with *leading thinkers in impact investing called on business leaders* to seriously embrace transformation of their mindsets, values and operational principles.

At the center of this work is the *Triple B Framework (TBF)* which can be implemented to enhance the private sector's positive contributions, including in responding to the polycrisis. The TBF focuses on addressing **bottlenecks** that obstruct the effective mobilization of capital, tackling **blindspots** – the biases and cognitive limitations that perpetuate inequality – and promoting the strategic use of Triple B **blended finance**, defined as a combination of financial and non-financial capital. By taking this approach to economic development and investment we can unlock more sustainable and equitable solutions to global challenges.

> *"The Triple B Framework is an approach consisting of three components – bottlenecks, blindspots, and blended finance – that seeks to solve for sluggishness in capital growth, as well as, to reduce misallocation decisions. The strategy aims to produce an optimal level of beneficial services from assets, recognizing that these may be held either by individual or collective owners."*
> – Dr. Gillian Marcelle, Resilience Capital Ventures CEO and Founder

Using TBF, businesses seeking to be responsible and investors mobilizing and deploying capital become part of change for social benefit. These business and investment practices are grounded in the need for systemic transformation and show that we must move beyond traditional financial capital to embrace a more inclusive understanding of value creation. In today's interconnected world, we need to leverage not just financial capital, but also social, cultural, intellectual, and relational forms of capital. Our approach finds resonance with *recent academic work by scholars* confirming that business leaders are increasingly seeking purpose beyond the conventional profit maximizing standard.

Accountability and transparency are critical components of this approach. Businesses and investors must go beyond token efforts and take intentional, transformative actions that diversify leadership and decision-making processes. Responsible business practices include strategies for minimizing tax avoidance and ensuring compliance with efforts to regulate and enforce minimum corporate tax rates.

Only through this kind of deep, structural change can we hope to tackle the complex, interconnected crises we face – such as wealth inequality and the climate crisis. Responsible investment must be about more than short-term gains; it should be about building a future where capital is mobilized to serve the collective good.

TBF advances responsible business and investment in the following ways:

- Technical advancements in investment practices, specifically in how risks are measured and managed.
- Development of new investment strategies that prioritize long-term value creation.
- Engagement with stakeholders and a redefinition of the objective functions that guide decision-making in the private sector.
- Targeted investments in companies that are producing goods and services aimed at decarbonization and transitioning to low-carbon solutions.
- Moving capital to places bypassed by mainstream investors.

This approach to responsible business and investment revolves around systemic change and the mobilization of diverse forms of capital for equitable outcomes. For these transformations to occur, private sector leadership must be reoriented toward new opportunities that emphasize human well-being and environmental stewardship. While this transition is underway, it will require significant time, talent, and financial resources. Carefully structured programs, led by trusted advisors and empowered internal leadership, will be critical to driving this change. Investment transactions allow for this learning by doing to take place and we believe can accelerate adoption of responsible business practices including with respect to taxation.

Examples of responsible business and activators

There are many examples of actions being taken by companies large and small that provides inspiration for and demonstrates how TBF thinking can work in practice. We provide a few here for the reader's consideration.

Patagonia

Patagonia's reimagined business model exemplifies the Triple B Framework; this firm by prioritizing sustainability over traditional profit-maximization gave a high-profile use-case. Patagonia's decision to *transfer ownership to two newly created entities* is a bold demonstration of this shift, moving away from shareholder value maximization towards environmental stewardship:

- Patagonia has dismantled traditional capital market **bottlenecks** by choosing not to list in public markets and avoiding the pressure of delivering short-term shareholder returns. This strategic move allows the company to focus on long-term sustainability objectives rather than quarterly profits, freeing it from the constraints of conventional capitalist norms.
- Patagonia addresses the cognitive **blindspots** of the corporate world, which often fail to see sustainability as a core business value.
- By *redefining its mission* to "save our home planet", Patagonia has embedded environmental activism in its culture.
- Its campaigns like "*Don't Buy This Jacket*" challenge overconsumption, urging customers to purchase only what they need – highlighting an alternative approach to typical consumerism-driven **blindspots**.
- Patagonia no longer relies solely on financial capital for growth. Instead, it leverages **blended finance**, combining financial capital with other forms like environmental, social, and community capital.
- Patagonia's profits are reinvested into environmental causes through the Patagonia Purpose Trust and Holdfast Collective, demonstrating a commitment to long-term ecological sustainability over traditional financial gains.

Mondragon

The potential of Triple B Framework thinking and doing is also provided by Mondragon, a shared ownership firm that has transformed its business systems by focusing on sustainability and shared prosperity:

- *Mondragon's cooperative structure* overcomes traditional hierarchical **bottlenecks**, decentralizing decision-making across its worker-owned cooperatives. This structure eliminates many operational inefficiencies tied to centralized management, allowing for greater agility and focus on sustainability goals.
- Mondragon addresses the cognitive **blindspots** often found in traditional capitalist enterprises by embedding democratic decision-making and social responsibility into its core. This reduces the risks of groupthink common in profit-driven models, enabling a more inclusive, community-oriented approach.
- Mondragon has innovatively mobilized various forms of capital beyond just financial, leveraging social, cultural, and intellectual capital from its worker-owners. This approach ensures that financial returns are aligned with broader community and environmental goals, embodying the concept of Triple B **blended finance**.

Siemens

Siemens' tax strategy exemplifies responsible corporate behavior, by ensuring *transparency and compliance with global tax regulations*:

- Siemens mitigates **bottlenecks** in public trust and resource mobilization, enabling governments to allocate funds for critical societal needs like infrastructure and education.
- The company's avoidance of aggressive tax planning reflects an acknowledgment of **blindspots** in traditional corporate tax strategies that often prioritize profit maximization over social good.
- Siemens demonstrates an integrated approach to **blended finance**, recognizing that fiscal responsibility

extends beyond financial capital to include social and relational equity. This strategy not only strengthens the systems it operates within but also supports equitable economic development, aligning with the Triple B Framework's vision for transforming capital into a lever for systemic change.

In the Triple B Framework, activators and ecosystem developers are an intrinsic part of the change process. Systemic barriers cannot be addressed without authentic leadership that is well versed in contextual specificities. There are many good examples, and we wish to showcase the work of ScaleUp Africa to guide companies to take action and transform. We also summarize our work in the Caribbean as an example of activation of an ecosystem.

ScaleUp Africa (Activator)
ScaleUp Africa is a platform-based business support service that works to build capacity of enterprises and reduce the transaction costs and friction in the relationships between sources of capital and their intended beneficiaries. ScaleUp Africa brings attention to often-overlooked enterprises, especially in marginalized communities. This helps counter the **blindspots** in traditional investment patterns, where certain demographics are underserved or overlooked. The platform deploys a combination of financial and non-financial capital **(Triple B blended finance)**, such as mentorship, community knowledge, and business development services, to equip entrepreneurs with the resources needed. There is evidence to show that these services greatly improve the likelihood of success, beyond what financial investments can do on their own.

The Bahamas Sustainable Investment Program (BSIP)
With grant funding support from the Open Society Foundations and pursuant to a mandate from the government of The Bahamas, Resilience Capital Ventures, working with a set of qualified collaborators is implementing a *long-term program of sustainable investment* with TBF as the foundation. RCV is working to mobilize all forms of capital, both financial and non-financial, and providing a replicable use case that will demonstrate that it is possible to make progress on systems change. This approach goes well beyond mobilizing financial capital, by involving opportunities for teaching, learning, and facilitating unlearning as we take forward the Bahamas Sustainable Investment Program. With collaborating counterparties that include global commercial banks, SWFs, global foundations, institutional investment firms, regional financial institutions and asset owners we are co-creating a program that challenges the status quo. Doing this work requires coming out of comfort zones to address the gaps and dysfunction inherent in a system with dominant mindsets.

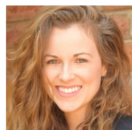
As an investment advisory practice, one unique feature of the TBF thinking is that it is action orientated and embraces the opportunity of seeding and harvesting capabilities in the private sector. Unlike other approaches to rethinking economic systems, ours is pro-innovation and enterprise, but with a critical and decolonized lens.

A holistic approach to finance: driving value creation for people and planet

In conclusion, to survive and thrive in the turbulent environment of the 21st century and to contribute to societal goals, businesses must mobilize and deploy all forms of capital – financial and non-financial – by integrating social, intellectual, and political capital into their strategies. This holistic approach enables organizations to address not only their immediate financial objectives but also contribute to sustainable and equitable development. By tackling systems change at all levels – structures, cultures, and mental models – companies can drive long-term value creation that is aligned with the needs of the planet and society. It requires a conscious effort to break down traditional barriers and embrace new models that prioritize collective well-being over short-term profit.

We offer the Triple B Framework as one approach to achieving the transformation needed for more responsible business. By removing bottlenecks, illuminating blindspots, and reimagining blended finance, businesses can unlock new opportunities for impact. Activators and ecosystem builders play a critical role in this process by catalyzing change and connecting diverse stakeholders. Through their leadership, companies can overcome systemic barriers, develop more inclusive strategies, and contribute to building an economy that benefits everyone while addressing the urgent multidimensional challenges we face.

3.4 Unleashing the superpower of tax with public country-by-country reporting



By Rachel Etter-Phoya, Senior Researcher (Tax Justice Network)

Taxes are *society's superpower* – a way for our governments to raise revenue to support progress for all, while at the same time strengthening governments' accountability to their people. They put children in school, ensure mothers give birth safely, and guarantee families drink clean water every day. Taxes are no mystical force, though. Their impact depends on companies and people paying the right amount of tax in the right place at the right time.

Currently, this isn't happening. Children *can't finish school, mothers die in childbirth, and families get sick drinking dirty water* because countries *lose US$492 billion in tax a year* to global tax abuse. Higher-income countries lose the most in absolute terms, but lower-income countries are hit harder relative to their economies, losing the equivalent of nearly 50% of their public health budgets every year, compared to just 9% in wealthier nations.

A secretive global system of tax havens facilitates the flow of wealth and profits from high-tax to low-tax jurisdictions without those involved being held accountable successfully anywhere. Consequently, some individuals and multinational companies choose to underpay their taxes where they live, operate, or make sales, hiding their tax and financial affairs from public view and getting away with it.

The opacity of traditional reporting standards

Traditional reporting requirements for companies are opaque. It's impossible to know what multinational companies are doing or how much tax they are paying in each country. These companies typically shift profits through transactions within their own group, such as aggressive transfer pricing or thin capitalization. However, these intra-group transactions are usually hidden by being consolidated with regular third-party business in a company's annual financial statements.

National governments may have a view of local activities, but they often lack comprehensive information about global company operations needed to query, assess, and audit aggressive tax avoidance and abuse effectively. As a result, governments miss out on significant revenue essential for funding public services, fulfilling human rights obligations, and addressing inequalities.

It's not just about identifying the individual taxpayers violating rules. Governments and other stakeholders need transparent reporting to identify rules that violate the country's potential to raise resources to fulfil economic and social human rights.

This is why the *Tax Justice Network*, an advocacy and research organization committed to promoting fair and transparent tax systems, has been calling for public country-by-country reporting for over two decades. As the first to do so, we met with fierce resistance. But that first draft international accounting standard, published in 2003, has provided a foundation for subsequent public country-by-country reporting requirements worldwide, despite ongoing lobbying by those who favor opacity.

Public country-by-country reporting for transparency and accountability

Recognizing the importance of tax contributions for sustainable development, the Global Reporting Initiative built upon the Tax Justice Network's proposal. Today, the GRI 207: Tax 2019 – drafted by a technical committee including representatives from reporting companies, the Big 4 accounting firms, major investors, global unions, academia, and the Tax Justice Network – is the leading voluntary tax transparency standard for sustainability reporting, which includes public country-by-country reporting (207-4) as one of its four elements.

No other global standard – voluntary or binding, public or confidential – comes close to the rigor of this one. The GRI Standard is designed for all multinational companies of any size and sector to disclose profits and losses, intra-group trade, taxes, employees, and assets for each country where they have affiliates. For this reason, Australian legislators *passed legislation* requiring the publication of country-by-country reporting data that is aligned with the GRI Standard rather than the flawed OECD alternative. Reporting is only required for countries designated as high risk, but the initial list here is far wider than that used by the EU and includes some major corporate tax havens such as Singapore and Switzerland.

Crucially, unlike other reporting initiatives, companies reporting under GRI 207 must distinguish between intragroup and third-party transactions and also provide a reconciliation of any differences in their headline tax figures from those published in their annual accounts. This information helps governments and non-state actors understand why tax payments may be lower than

anticipated, not necessarily due to profit-shifting to avoid taxes. Conversely, it also helps assess the negative spillovers and the potentially harmful impact of other countries' preferential regimes.

Unleashing the superpower of tax

Over one-quarter of the 1,000 largest public companies mention the GRI tax standard, and one-fifth of these specifically refer to disclosures of public country-by-country reporting. Adoption is greater among companies headquartered in regions that mention the GRI in sustainability regulations, like in the EU. However, most companies still chose to only comply with obligatory regulations, like the *EU 2021/2101 Directive*, which does not require full disaggregation of information or explanations for divergent effective tax rates.

It is evident that fully public country-by-country reporting on the GRI Standard or similar, for all multinationals of any size and for their operations in every country, is the endpoint. Lobbyists' efforts to frustrate that progress are likely to continue to generate multiple, overlapping and partially inconsistent reporting requirements – so that reporting companies will continue to face needlessly high compliance costs, and investors and the public will continue to face needlessly poor data.

To unleash the superpower of tax, people need to use data to hold companies accountable for paying taxes fairly, tax havens for enabling profit-shifting, and governments for creating better international tax rules, and using taxes equitably and effectively. Major accounting firms that have long opposed public country-by-country reporting could still become positive actors in delivering that accountability by moving to support international convergence towards a single, high-quality reporting standard.

3.5 The unique opportunity of the UN Framework Convention on International Tax Cooperation

By Liz Nelson, Director, Advocacy and Research (Tax Justice)

Under the auspices of the United Nations, a Framework Convention on International Tax Cooperation (UNFCITC) is currently being developed. The intergovernmental negotiations are exploring national and regional interests on the most critical international taxation issues, including the allocation of taxing rights and financial transparency measures. More significantly the Convention, which is to be approved at the UN General Assembly in 2027, aims to achieve truly universal application of inclusive and effective international tax standards. The UN Convention will deliver both immediate policy change through new international rules and standards on tax and associated transparency measures, and importantly also a framework for the negotiation of future changes which is globally inclusive, transparent, and broadly democratic.

Thus far countries have agreed the terms of reference for the negotiations to begin in February 2025. Early discussions have seen countries pitting their interests against one another, but also, as the negotiations have progressed, coalitions of national and regional interests have emerged – including blockers, supporters and abstainers – on a range of questions.

The tax justice movement is engaging at every opportunity in these historic negotiations. As a movement of crosscutting issues of intersecting inequalities, climate and ecological justice, and human rights, civil society views it as critical that there be meaningful reform of the rules and standards on key substantive issues which regressively impact every country - especially those with lower per capita incomes.

The Convention has the potential to bring together progressive tax and financial transparency measures which can end the shocking legacy of tax policy reform failure under the existing governance of the OECD. The *failure of the OECD's* BEPS project and reform under the Inclusive Framework has stemmed from the organization's weak external accountability and transparency, as well as the exclusion of most countries from meaningful decision-making, leaving the OECD in no position to deliver legitimate reforms. Within the UN Convention, the alternative is now becoming possible: global tax governance standards and norms that can deliver economic, social, and environmental justice within countries and between countries.

Country-by-country reporting in the UN Convention

To take a narrow, concrete example, consider country-by-country reporting. The OECD standard is arguably the most valuable element of the 2013-2015 BEPS process but had significant weaknesses from the outset. While the design followed the original draft international accounting standard that had been the basis of civil society activism since the Tax Justice Network's formation in 2003, the OECD secretariat allowed a range of technical flaws to be introduced. This included the elimination of key variables distinguishing intra-group from third-party transactions, as well as the absence of any reconciliation with financial accounts. In addition, the OECD succumbed to lobbying pressure and agreed that the company-level reporting should not be published.

The OECD's consultation in 2020 saw an overwhelming response from investors with trillions of dollars of assets under management, calling with civil society and independent experts for the OECD to converge instead on the GRI Tax: 207 Standard, including being made public. To this day, the OECD has not responded to the results of its own consultation, and the severe flaws in the standard remain – even as a growing number of countries voluntarily adopt the GRI Standard and publish their data. Australia has now legislated for public country-by-country reporting under which companies are required to align with the GRI Standard; but still the OECD remains resistant to democratic pressure or investor concerns.

The range of criticisms include the failure to ensure technical robustness of the OECD standard; the failure to make aggregate data public in either a timely or a regular fashion, as directed by the G20; the failure to deliver company-level public data, which it is estimated would cut the revenue losses due to corporate tax abuse by more than **US$89 billion**; and ultimately, the OECD's failure to ensure that the organization itself can be held accountable for progress (*Tax Justice Network, 2024*). The negotiation of the UN Convention provides a clearcut opportunity to extend the role of the GRI 207, by establishing a global basis for public reporting to ensure that all major companies publish consistent, high-quality data. There are a range of additional areas too where the UN Convention offers the potential to empower investors and others to support transparently fair tax practices worldwide.

Steps to international tax reform

The concept of an intergovernmental tax body is not new. At the turn of the century the UN High Level Panel on Financing for Development recommended the establishment of an International Tax Organisation (ITO). This *report* became known as the Zedillo Report, after former Mexican President Ernesto Zedillo who chaired the panel. The ITO recommendation, which followed a proposal from then-head of fiscal affairs at the International Monetary Fund, Vito Tanzi, has strong support from the G77 group of countries but was firmly blocked by OECD members at the time, and again at the 3rd Financing for Development summit in Addis Ababa in 2015. But the drive to address the damage caused by tax abuse and financial opacity in economies around the world, and the harm done to prosperity and the development of many millions of citizens has not ceased over the last two decades.

There have been a series of notable steps that have brought international tax policy reform high on the political agenda. In 2013 the G20, recognising that the international tax rules had '*not kept pace with the changing business environment*' mandated the OECD to deliver a set of reforms in a 'timely manner' (*G20, 2013*). It has been well documented that the OECD's proposals have neither been timely nor effective. The weakness of the BEPS reform saw an early return to negotiations with 'BEPS 2.0', which was scheduled to run from 2019 to 2020. As of late 2024, the process has yet to conclude but has lost much of the original ambition. Growing numbers of countries, including major OECD members like the US, are expected not to adopt either of the two 'pillars' of the OECD's proposals. In addition, the non-OECD members who had been cajoled into joining the Inclusive Framework have been increasingly and openly frustrated over the last years at their views simply being overridden or ignored by the secretariat. Not coincidentally then, it was during this period that momentum began to build for an alternative forum for tax rule-setting.

African leadership

One of most significant progressive interventions in the field of international taxation over the past years has been the critical work of the AU/ECA High Level Panel on Illicit Financial Flows from Africa, chaired by former South African president Thabo Mbeki. The panel's recommendations in 2015 focused on the fight against illicit flows, including 'commercial' tax abuse (including e.g., trading companies below the level of large multinationals) which, as clear conclusion, was identified as being of a scale far larger than grand corruption. The Mbeki panel's recommendations were adopted as the collective decisions of heads of state at the African Union in 2015. Ever since, it has been largely African leadership which has underpinned the progress of the UNFCITC.

The work undertaken by the Mbeki panel provided critical analysis of the environment in which tax abuse was operating globally and crucially its impact on development. In light of new analysis – that Africa loses about US$ 90 billion each year in illicit financial flows (2022) – African Ministers of finance, planning and economic development *called for the overhaul* of the international tax architecture in order to curb wholescale tax abuse, including commercial tax abuse as the largest component, and the continuing damage to development. Specifically, the finance ministers called for the UN to negotiate an international convention to deliver on these aims.

In 2022 the Africa Group at the UN tabled a General Assembly resolution that would then trigger intergovernmental negotiations, in a UN forum which offered a more legitimate and democratic institution in which to rectify the unfairness of tax rules.

Resolution *77/244 of 30 December 2022* was followed by Resolution *A/C.2/78/L.18/Rev.1* in 2023, paving the way for the establishment of an Ad Hoc Committee of all UN Member States with a mandate to develop terms of reference for the full negotiation of a framework convention. The Committee concluded its work within six months, and *Resolution A/C.2/79/L.8* passed the General Assembly in November 2024, representing a seismic shift in the global architecture for international tax.

Key issues

During the drafting of the terms of reference (TOR) some clear battle lines were drawn, and national interests were on full display – with civil society, media, and the public at large witness to vying political positions. The inclusion of human rights principles, for example, was a critical contested area in the TOR and goes to the heart of tax justice.

The incorporation of human rights principles as part of the TOR has already provided a focus of 'difference' and tested the appetite of member states to look for compromise and to shift position. The eventual inclusion of human rights is as follows:

> *Efforts to achieve the objectives of the framework convention therefore should: […] in the pursuit of international tax cooperation be aligned with States' obligations under international human rights law (Draft TOR, 15 August 2024. 9c. A/AC.295/2024/L.4)*

This is both remarkable and a step change for intergovernmental forums whose focus is the development of tax rules. It is also noteworthy that the EU and other high income OECD countries defended the inclusion of human rights language.

The UN Convention represents an historic opportunity to hardwire international tax rules that have at their heart financial transparency, accountability and fairness. The Tax Justice Network, and the tax justice movement more broadly, has for two decades demanded that financial transparency policies be set as international standards. Despite being dismissed as utopian, the normalization

of the *ABC* of tax transparency (**A**utomatic information exchange; **B**eneficial ownership transparency through public registers for companies, trusts and other legal vehicles; and public **C**ountry-by-country reporting for multinationals) on the global policy agenda puts the world within reach of a powerful toolkit for tax transparency, fairness and legitimacy. The opportunity to embed this as part of the UN Convention provides an important chance to obtain comprehensive application of the GRI Tax Standard too.

The organizational arrangements for the negotiation of the UN Convention will be finalized in February 2025. Thereafter substantive issues such as wealth taxes, illicit financial flows, cross-border services taxes will be negotiated in the commitments set out in the Convention itself and in early protocols. The UN Convention provides not only for the design and establishment of standards on these politically charged substantive tax rules and architecture, but moreover, represents a dramatic change in the way tax rules are decided.

In addition to issues of substance the Convention goes much further in purpose. The procedural design and governance of the framework body should ensure inclusive and effective decision-making by a Conference of the Parties. The vision of these reforms is designed in such a way to respond to new and unknown international tax challenges that are certain to arise in the future. As proposed by the High Level Financial Accountability, Transparency and Integrity *(FACTI) Panel* (2021), that governance should include the secretariat, technical body, and a UN Centre for Monitoring Taxing Rights with a role to collate and publish data including country-by-country reports on a rolling basis, as well as providing timely evaluations of new proposed measures and their potential country-level revenue impacts.

The road ahead

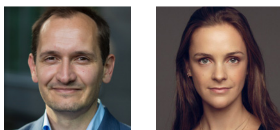
The importance of this shift in tax governance is that, for the first time, the global tax rules will have to be decided democratically. All Member States will have a seat at the table. All will be able to voice their national interests, and the positions taken by individual governments will be transparent to their own people. Equally as important is that those countries supporting the Convention are voting for multilateralism and cooperation providing yet further restraint in a '*race to the bottom*' and deepening inequalities.

Those that vote against and continue to threaten to hinder progress set themselves against the interest of the world's majority and their own population. Just nine countries voted against entering full negotiations (Argentina, Australia, Canada, Israel, Japan, New Zealand, South Korea, the UK, and the US). These countries have roughly 9% of the world's population, but are collectively responsible for 43% of global losses to cross-border tax abuse (some $212 billion of the *US$492 billion* of tax revenue lost in total, per the *State of Tax Justice 2024*). They – or rather their own people - suffered 36% of these global losses. As public awareness of the negotiations grows, and of their own governments' opposition, those positions will likely be subject to growing scrutiny – not least, because those losses mean that austerity policies persist and *in-country inequalities deepen*.

Negotiations on the UN Convention are scheduled to bring a full draft to the UN General Assembly in 2027. This time span provides plenty of scope for delay, obfuscation and further blocking rather than working together towards meaningful compromise. Some of the objections raised by the US and the UK, for example, hold little water. These include the 'duplication' myth - whereby the work developed under the auspices of the UN, it is claimed, risks being a duplication of the OECD's tax reform efforts to date.

The UN process, however, has already demonstrated a level of transparency and inclusivity never achieved at the OECD and the potential to fix rather than duplicate the current standards. Support for the convention is explicitly driven by a desire *not* to duplicate either the opacity or the exclusionary nature of OECD processes. With the committed support of the clear majority of the world's governments, the negotiations could deliver for the first time, globally inclusive arrangements for tax decision-making and a set of powerful reforms that curb, once and for all, the scale of international tax abuse.

3.6 Exploring the integration of tax in EU sustainability regulations



By Dave Reubzaet, Director Tax & Sustainability, and Eline Vermunt, Consultant Tax & Sustainability (Deloitte Netherlands)

This article explores in summary how sustainable tax practices and tax transparency are part of key EU sustainability (reporting) regulations and what this means for companies. It focuses on how tax is integrated in the Corporate Sustainability Reporting Directive (CSRD), the European Sustainability Reporting Standards (ESRS), the EU Taxonomy Regulation, and the Sustainable Finance Disclosure Regulation (SFDR).

Although sustainability is top of mind for many organizations, tax generally does not yet appear as a key consideration among the myriad of rules and regulations to manage. Tax is often also not yet integrated in companies' sustainability strategies and reporting. In reality, though, tax is already an important aspect of many of the strategic and regulatory initiatives that organizations need to manage, reflecting the fundamental role tax plays for a well-functioning society.

Integration of tax in the corporate sustainability strategy is necessary to:

- Support commitment to tax compliance, including paying the right taxes in the right places at the right times;
- Prevent causing harm in relation to tax, through guarding against aggressive tax strategies, i.e. those which involve contrived or artificial arrangements and lack commercial substance, harming society and the economy;
- Detect and use opportunities in grants and incentives to finance the corporate green transition;
- Apply robust tax governance to manage tax impacts, risks and opportunities, including risks related to new taxes (e.g. carbon taxes) on the business model and value chain; and
- Report transparently on tax, supporting (re)building of trust in corporate tax practices.

Various international organizations, including the UN, the OECD, the EU, the Principles for Responsible Investment (UN PRI), GRI, and the World Economic Forum, acknowledge the important role of taxes in sustainable development as well as the consequences of aggressive tax strategies for society and the economy. This is also visible in the tax expectations various international investors have towards their investments.

The European Green Deal and sustainable finance

The regulations discussed below are interrelated and form integral components of the broader EU sustainable finance framework and the European Green Deal. Ambitions of this framework include the redirection of capital flows to sustainable investments, systemic integration of sustainability into risk management, and promotion of transparency. In all these ambitions, it is clear that tax is relevant, given its fundamental role in funding basic societal needs and as a policy lever for incentivizing sustainable development.

CSRD/ESRS[4]

The Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) modernize and strengthen rules concerning the social and environmental information that companies must report. The rules will ensure that investors and other stakeholders have access to the information they need to assess the impact of companies on people and the environment, and for investors to assess financial risks and opportunities arising from climate change and other sustainability issues.

Tax, as sustainability matter, should be included in ESRS 2 general disclosure requirements, which apply to all sustainability matters across four dimensions:

1. Governance
2. Strategy
3. Impact, risk and opportunity management
4. Metrics and targets

One of the general disclosure requirements of ESRS 2 is the important double materiality assessment. As a sustainability matter, tax must be incorporated into the double materiality assessment to ensure a comprehensive evaluation of the organizational material impacts, risks, and opportunities.

If, based on the required double materiality assessment, a company and its stakeholders consider tax as a material topic, the organization is required to publicly disclose information on this matter in line with the ESRS, including more exhaustive general requirements in ESRS 2. If the

4 See for a briefing pack on CSRD and ESRS at https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/ecrs/deloitte-uk-csrd-esrs-ra-perspective-new.pdf

necessary (ESRS) standard is not available, which is the case for tax, entities can use the GRI Standards to report on material topics[5]. For tax, this means that the GRI 207 Tax Standard can be used for reporting under the CSRD.

If tax is considered material, it might be argued that it falls under ESRS G1 'Business Conduct' since tax may be seen as part of business conduct[6]. However, ESRS G1 is not specifically designed for tax and furthermore does not cover taxation comprehensively[7]. Therefore, GRI 207 applies when reporting on tax.

Whether or not tax is considered a material topic depends on the process and outcome of the materiality assessment, for which criteria have been described in the ESRS. This process builds on the GRI materiality process, which has been already adopted by many organizations globally and is fully aligned with the materiality process defined in the ESRS[8].

Finally, in a combination of ESRS 2 and ESRS S3 'Affected Communities', tax is specifically mentioned as something that may have impacts on affected communities[9].

When tax is *not* considered a material topic, for instance because other topics are considered with higher priority and/or tax falls below the applied materiality threshold, organizations can still choose to voluntarily report on tax matters, thereby recognizing tax as a fundamental topic. Companies that opt to share their tax approach and data do so for various reasons, including meeting specific tax disclosure requirements (e.g. Australia tax transparency reporting, UK Tax Strategy, EU Public Country-by-Country Reporting) which have sustainability considerations. At the heart is often the willingness to demonstrate responsible tax approaches, in narrative and in data, thereby addressing societal expectations and aligning with organizational sustainable business strategies. This helps to build trust within communities and strengthen the license to operate.

EU Taxonomy Regulation

The EU Taxonomy Regulation enables companies to share a common definition of economic activities that can be considered environmentally sustainable. In this regulation, through application of the OECD Responsible Business Conduct Guidelines, tax is considered as one of the minimum safeguards, alongside human rights, bribery/corruption, and fair competition. Adherence to these minimum safeguards is a prerequisite for compliance with the EU Taxonomy Regulation.

For tax this means, amongst other things, that organizations:

- *"Should comply with the letter and the spirit of tax laws and regulations […]"* and
- *"Should treat tax governance and tax compliance as important elements of their oversight and broader risk management systems […]"*

The EU Sustainable Finance technical expert group points out that "*endorsement of standard GRI 207 is recommended as an indicator of an undertaking's more ambitious understanding of tax fairness.*"[10] Essentially, this means that adopting GRI 207 helps to comply with the tax minimum safeguard as required by the EU Taxonomy Regulation.

Sustainable Finance Disclosure Regulation (SFDR)

The SFDR is the EU's transparency framework that sets out how financial market participants have to disclose sustainability information. Under the SFDR, tax is relevant in multiple ways, including:

- As part of the SFDR definition of a "sustainable investment", it is a requirement that "*such investments do not significantly harm any of those [sustainability] objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance*". To this end, investee companies and investors both need to apply good tax governance. For the investor, this applies both to its own organization and as part of the investment process.
- As part of the investor's policies on the integration of sustainability risks in the investment decision-making process, tax is one of the risks to be considered during the life-cycle of the investment.
- As part of the SFDR, the principal adverse impact indicators include: violations and lack of processes and compliance mechanisms to monitor compliance with OECD MNE Guidelines (including tax), and investments/revenues in jurisdictions on the EU list of non-co-operative jurisdictions for tax purposes.

When it comes to responsible investment, the UN-supported

5 https://www.efrag.org/News/Public-444/EFRAG-GRI-Joint-statement-of-interoperability
6 See for example the inclusion of tax in the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, Chapter XI Taxation at *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (oecd-ilibrary.org)*
7 For example, a comprehensive approach to tax involves linking it to business and sustainable development strategies, embedding it within organizational structures, addressing tax risks, evaluating compliance with tax governance and tax control frameworks, describing the assurance process for tax disclosures, outlining the approach to engagement with tax authorities, and detailing the processes for collecting and considering the views and concerns of stakeholders. These aspects extend beyond what is covered under ESRS G1 'Business Conduct'.
8 See the article 'Tax as a Material Topic? To Be or Not to Be' at *www.deloitte.nl*
9This is due to its potential origin in a company's strategy or business model, particularly in its cost structure and revenue model. Aggressive strategies to minimize taxation, especially regarding operations in developing countries, can have significant effects on these communities. See ESRS S3 'Affected Communities' in the CSRD Delegate Act accessible at *https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=PI_COM:C(2023)5303*
10 See page 50 of the Report on Minimum Safeguards at *https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf*

Principles for Responsible Investment (PRI) organization leads the way through its extensive research and the provision of practical guidance to help investors and asset managers to effectively incorporate tax into responsible investment strategies.

An increasing number of investors are now publicly stating their tax expectations for investees and using methods such as shareholder engagement and voting to emphasize responsible tax practices as essential for sustainable development and enterprise risk management. Tax transparency is a critical initial step in these dialogues. Notable recent instances include shareholder votes where investors have urged multinationals to disclose their tax approach, thereby applying GRI 207.

Deloitte Global tax policy survey[11]

In the context of the above it is interesting to see the following results from the 2024 Deloitte Global Tax Policy survey:

- The growing pressure for companies to be more transparent about tax makes this the number one issue for tax leaders;
- 84% expect tax to be material under the EU CSRD;
- 70% expect the development of public CBCR to lead to an increase in public reporting;
- 83% expect that future discussions and disclosures regarding ESG would impact their tax function; and
- 97% have a tax transparency strategy, they reported a range of concerns about executing it effectively.

Recommendations

In conclusion, we offer some recommendations that may prove beneficial for the ongoing advancement of sustainable tax practices:

- (Further) develop an approach to tax that is aligned with the sustainability strategy and organizational stakeholder expectations, taking into account international accepted standards.
- Challenge yourselves to think and act beyond mere compliance when pursuing goals like sustainable development.
- Apply robust tax governance, risk and data management to ensure adherence to the tax policy, including public commitments to (responsible) tax initiatives.
- Adopt a recognized multi-stakeholder reporting standard for their tax disclosures, such as GRI 207, which is acknowledged by the CSRD/ESRS and the EU Taxonomy Regulation. Employing such a standard facilitates compliance with these regulations. Further, reliance on a recognized global standard can contribute to achieving uniform tax reporting and establishing a global norm. This in turn should ease companies' compliance processes and burden and enable stakeholders to analyze consistent and comparable tax data more efficiently. If strict adherence to this standard is not possible, companies could aim to closely follow it and clearly articulate any deviations to simplify the analysis for stakeholders.
- When transparently reporting on tax, consider focusing on the larger tax contributions (e.g. total tax contribution reporting that also takes into account incentives received). An important part of this, and the "positive impact and do no harm" principle, involves disclosing how tax planning is done responsibly, including monitoring thereof.
- Consider the depth of your tax disclosures and whether you want to include a variety of taxes, such as indirect taxes and wage taxes, as well as environmental taxes like carbon taxes and plastic taxes, and incentives, as these forms of taxation are significant in the context of sustainable development.
- Be aware of the risk of being perceived as engaging in greenwashing through publishing incomplete tax reporting and/or using a "self-made" or "business-only" methodology that fails to consider the views of multiple stakeholders. Consistently complying with recognized international standards is an obvious way to mitigate this risk.
- Consider requesting external assurance for public tax reporting to provide comfort to stakeholders. In the context of the European CSRD/ESRS, such assurance will become mandatory, making it prudent to prepare for this requirement in advance.

11 See the Deloitte Global Tax Policy Survey results at: 2024 Global Tax Policy Survey | Deloitte

4. Methodology

This chapter contains the developed and applied methodology for this research.

4.1 Company selection

- The dataset from the study, 'Global adoption trends for the GRI Tax Standard. An analysis of the use of *GRI 207: Tax 2019* dated May 2024 by GRI, is used as a basis.[12]
- Selection is refined to companies that reported '*Yes*' on all four GRI 207 disclosures.
- The top 77 companies have been selected based on the highest revenue as a primary criterion.
- From a regional perspective the following amendments have been made. The regions of Asia and Oceania are combined into region 'APAC'. For Americas and APAC, a number of companies are randomly deselected (prior to the research) to create a more balanced representation of the different regions. To ensure further regional representation, one qualified company headquartered in Africa has been selected and added. In light of the continuing isolation of the Russian economy, three companies were excluded from the dataset.
- During the analysis, some companies have been deselected from the dataset due to:
  - Double inclusion
  - Insufficient information due to a merger
  - Sustainability information no(t) (longer) available
- The above process resulted in 71 companies being researched.

4.2 Data gathering and company analysis

- For this project, various information has been gathered for each company:
  - General information.
  - (Reported) GRI 207 information, per requirement. This included:
    - Qualification per requirement, rated based on the level of information disclosed ('*1*' = No, '*2*' = Partly, '*3*' = Yes).
    - Permitted reasons for omission as outlined in GRI 1 per disclosure ('*Not applicable*', '*Legal prohibitions*', '*Confidentiality constraints*', '*Information unavailable/ incomplete*').[13]
  - Additional research information:
    - Is tax a material topic/matter? ('*Yes*', '*No*').
    - Location of the sustainability reporting ('*Annual/Financial report*', '*Sustainability/ESG/ CSR report*', '*Web page*', '*Other*', '*Multiple*').
    - Rate how easy it was to find the information ('*1*' = Difficult to find, '*2*' = Moderately easy to find or '*3*' = Very easy to find).
- For the company analysis, the company's website is checked to find the sustainability reporting and the GRI Content Index.
- The most recent relevant reports available are analyzed, comprising data from 2023 and a small number already from 2024.
- Publicly available data are reviewed for GRI 207 relevant reporting, including documents referenced in the GRI Content Index (as far as available).
- For the first additional research element (tax as a material matter/topic), the mentioning of tax is checked. Mentioning could be direct (as a stand-alone material matter/topic) or indirect as a sub-topic of an overarching material topic/matter (e.g., business conduct), but only when tax was mentioned explicitly in the definition of the overarching topic/ matter.
- Based on the above, an analysis of the company's reporting with GRI 207 reporting requirements, and related guidance as described in GRI 207, has been conducted.
- Reporting on the voluntary GRI 207 recommendations was not included in the research.

12 Allen, Perez, Ludena, Ozdemir, Reubzaet, Vermunt (2024). *Global adoption trends for the GRI Tax Standard, An analysis of the use of GRI 207: Tax 2019 by the 1,000 largest public companies worldwide.*
13 GRI (2021). *GRI 1: Foundation 2021*. Requirement 6.

4.3 Sector and country view adjustments

- In the sector view (section 2.2.3), (sub)sectors are merged into one sector category, with a minimal representation of 3 companies per sector.
- In the countries view (section 2.2.4), only countries with at least 3 headquartered companies are included.

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