

15 March 2019

Global Reporting Initiative
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Dear Barbara

Global Reporting Initiative ('GRI') draft standard: Tax and Payments to Governments

On behalf of the Australian Council of Superannuation Investors (ACSI), I am pleased to make this submission in relation to the GRI draft standard: Tax and Payments to Governments.

Established in 2001, ACSI exists to provide a strong, collective voice on environmental, social and governance (ESG) investment issues on behalf of our members. Our members include 38 Australian and international asset owners and institutional investors. Collectively, they manage over \$2.2 trillion in assets and own, on average, 10 per cent of every ASX200 company, on behalf of millions of beneficiaries.

As a representative of long-term investors, ACSI strongly supports greater transparency in relation to tax and payments to governments. In a global economic landscape dominated by economic slowdowns and growing inequality, the issue of adopting aggressive tax planning strategies has become a key focus area for governments, international regulators and civil society.

An aggressive approach to tax planning is a concern for long-term investors as it has the potential to create earnings risks and lead to governance problems; damage reputation and brand value; and, cause macroeconomic and societal distortions.

In summary, ACSI supports the introduction of a GRI standard: Tax and Payments to Government. We have set out further comments in response to the Exposure Draft below.

I trust that our comments are of assistance to the Consultation and please contact me, or Ed John, ACSI's Executive Manager - Governance, Engagement & Policy, should you require any further information on ACSI's position.

Your sincerely

A handwritten signature in black ink, appearing to read 'Louise Davidson', is written over a white background.

Louise Davidson
Chief Executive Officer

Response to consultation questions

Question 1 - Are any of the management approach disclosures in GRI XXX: Tax and Payments to Governments not understandable and/or feasible? If so, why, and, what, if any, wording revisions or guidance would you suggest?

The proposed reporting requirements are understandable and broadly consistent with the United Nations Principles for Responsible Investment ('UNPRI') Investors' recommendations on corporate income tax disclosure ('UNPRI recommendation'). ACSI believes investors benefit from an enhanced level of tax-related disclosure addressing tax policy, governance and risk management. We support the UNPRI recommendation as well as the introduction of a GRI standard: Tax and Payments to Government.

Whereas an organisation's approach to tax is often outlined in its tax strategy, it may also be outlined in a tax policy, tax standard, or set of tax principles. We would recommend capturing these differences in the reporting requirements for Disclosure XXX-1, either by listing the alternatives or including '(or equivalent)' at the end of section a.i.

Increasingly, investors recognise aggressive tax minimisation activities and strategies pose a risk to long-term investment returns with the potential to create earnings risks and lead to governance problems; damage reputation and brand value. ACSI considers these matters material investment risks, and tax governance as a matter requiring board oversight. As such, we would suggest this be reflected in Disclosure XXX-1, aii above and seek that if an organisation does not consider board oversight to be appropriate provide an explanation why not. We would encourage this to be made clear throughout the Exposure Draft.

Question 2 - With respect to reporting requirements in the management approach disclosures in GRI XXX: Tax and Payments to Governments, are all of them critical to describing the management approach on tax and payments to governments. If not, which requirements are not critical?

ACSI considers increased transparency can provide valuable information to investors and stakeholders. Investors benefit from an enhanced level of tax-related disclosure addressing tax policy, governance and risk management, and performance, including:

- Disclosure of a tax policy approved by the board outlining the company's approach to taxation and how this approach is aligned with its business and sustainability strategy.
- Evidence of tax governance as part of the risk oversight mandate of the board and management of the tax policy and related risks.
- An overview of tax strategies, tax-related risks, inter-company debt balances, material tax incentives, country-by-country activities, the reasons why low-tax jurisdictions are used (if they are used) and current disputes with tax authorities.

Question 3 - Are any of the topic-specific disclosures in GRI XXX: Tax and Payments to Governments not understandable and/or feasible? If so, why, and, what, if any, wording revisions or guidance would you suggest?

ACSI supports additional disclosures for investors and stakeholders. Public reporting will increase transparency and benefit stakeholders by enhancing the level of disclosure addressing tax policy, governance and risk management, and performance.

We support the alignment with the Country-by-Country reporting obligations of multinational groups under the Organisation for Economic Co-operation and Development's ('OECD') Base erosion and profit shifting ('BEPS') Action 13 minimum standards. As companies already prepare this information and disclosure is

consistent with UNPRI Investors' recommendations on corporate income tax disclosure, the disclosure requirements proposed are reasonable.

We consider the GRI disclosures should closely follow the evolution in Country-by-Country reporting under the BEPS Action 13 to ensure consistency between the GRI, the OECD BEPS Country-by-Country reporting requirements and the UNPRI.

Question 6 - Are there any critical disclosures missing from GRI XXX: Tax and Payments to Governments that are necessary to understanding an organization's tax practices?

It is common practice for organisations to engage external consultants to advise on specific tax matters. Often the work undertaken by such firms is complex and can include cross-border structuring. We consider investors and stakeholders would gain valuable insights into an organisation's tax function were that organisation to disclose how the relationship with tax advisors is managed and how the organisation ensures that advisers are instructed to provide advice that is within the spirit of their overall tax strategy.

Accordingly, we would suggest this be included in Disclosure XXX-2 as new point d.