

Why Investors Care? GRI Global Reporting Standards and Tax Transparency

Greater transparency will enable better investment decisions and protect long-term returns. **Investors should submit comments to support a significant proposed increase in transparency on tax payments.** Submit comments through this [link](#) before the 15 March deadline to secure new proposed GRI standards for increased tax transparency. Brief statements of support are all that is required; suggestions to facilitate a rapid response are available [here](#).

Aggressive tax avoidance is estimated to cause global revenue losses of \$500 billion per year. Recent national and global efforts on tax avoidance have resulted in increased investor scrutiny, heightened risks and calls for greater transparency on company tax practices.

Appropriate tax practices and disclosures are now part of a broader set of responsible investment principles. According to the [UNPRI](#), there are four key reasons why tax transparency is important to investors: 1) the amount of income tax paid is material to a company's sustainability; 2) public exposure of aggressive tax minimisation strategies – whether legal or not – now presents significant legal, regulatory and reputational risks; 3) reassurance that a company's tax practices can withstand scrutiny and regulatory change, and finally; 4) aggressive tax minimisation undermines government investment in public goods and services, such as infrastructure, education and health, which support economic growth.

Background: GRI Standards & Public Country by Country Reporting

The Global Reporting Initiative (GRI) has introduced a proposal for tax and payments to governments for multinationals as part of new reporting standard. The public comment period ends on **15 March 2019** and multinational companies are likely to lobby heavily against this effective transparency measure. It is **essential that institutional investors and investment managers support this new standard to increase transparency.**

Since 1997, GRI Standards have become the world's most widely adopted global standards for sustainability reporting. Ninety-three percent of the world's largest 250 corporations now report on sustainability. GRI standards are used by over 4,000 organisations in over 90 countries and are often cited in non-financial disclosure legislation, such as the European Union's (EU) Guidelines on non-financial reporting. The new GRI draft standard on tax and payments to governments was developed by an expert multi-stakeholder technical committee.

Many of the world's largest economic units are multinationals – not national governments – and by some measures a majority of global trade is between subsidiaries of the same firm. While most government and domestic company accounts are relatively transparent and clear, the consolidated accounts of most multinationals are not. Tax reporting is a response to this transparency deficit and levels the playing field by requiring multinationals to provide a country level breakdown of activities, profits declared, and taxes paid.

Transfer Pricing Documentation and Country by Country Reporting (CbCR) by large multinationals to tax authorities – not to the public – are already a core component of the OECD's Base Erosion and Profit Shifting (BEPS) Action Plan. Extractive companies in several jurisdictions and multinational banks in the EU are already required to provide forms of Transfer Pricing Documentation and public CbCR. Investors need access to CbCR for all multinationals to make informed investment decisions. Complete GRI reporting standards would dramatically enhance tax transparency for multinationals and provide valuable information to investors.