PRI Principles for Responsible Investment

Ms. Regner and Mr Garcia del Blanco
Rapporteur, Legal Affairs and Rapporteur, Economic and Monetary Affairs
European Parliament

26 May 2021

PUBLIC COUNTRY-BY-COUNTRY REPORTING (CBCR) REQUIREMENTS IN THE EU

Dear Ms. Regner and Mr Garcia del Blanco,

The Principles for Responsible Investment (PRI) and the undersigned signatories to the letter (representing US$5.6trn in AUM) welcome the EU initiative to mandate public country-by-country reporting for multinational companies. We believe this policy measure is timely given the EU proposal for a new Corporate Sustainability Reporting Directive (CSRD)[1], and vital to strengthen tax transparency and accountability while reducing the prevalence of tax avoidance practices that continue to challenge global economies and their pursuit of sustainability goals.

To ensure that the upcoming regulation is robust and works as intended, and can set the tone for policies of a similar nature in other jurisdictions, we urge the EU to consider the following:

- **The legislation should require multinational companies to provide disaggregated information on taxes paid and other relevant economic information for all countries of operation**. Currently, the proposed legislation introduces requirements for disaggregated reporting on operations in the EU member states and in the EU list of uncooperative jurisdictions and aggregated information on all other countries of operation, for companies in scope. To be effective, the legislation should expand disaggregated reporting requirements **for all countries of operation**. Otherwise, the disclosure can limit visibility of high-risk transactions in non-EU countries and impair risk assessment for investors. In addition, the proposed framework for reporting could create a perverse incentive for multinationals to undertake profit shifting in other jurisdictions, where investors and other stakeholders may not have full view of activities.

- **Any exemptions to the requirements should only be provided on a limited basis and accompanied by careful monitoring.** While it should be acknowledged that some companies may have genuine concerns about commercial sensitivity in reporting on a country-by-country basis, widespread exemptions would be misaligned with the objective of creating a level playing field[2], result in inconsistent data and disincentivise leadership

[1] https://dwtyzx6upklss.cloudfront.net/Uploads/q/f/c/pristatementoncorporatedisclosuredevelopments_final_377709.pdf
[2] See recital 12 (a): https://data.consilium.europa.eu/doc/document/ST-5183-2021-INIT/en/pdf

practices in reporting. It is important that the EU develops stringent criteria for exemptions and any claims are evaluated by a single authority that also provides a summary report of exemptions provided on a yearly basis.

- **Finally, we recommend that an impact assessment of the regulation is conducted after two years,** to consider expansion of the scope of the regulation in line with the Accounting Directive, reduction of the deferral period on reporting for exempted companies and to examine the effectiveness of enforcement mechanisms.

We believe enhanced transparency and detailed public reporting through a full country-by-country reporting will enable investors to:

- better assess tax risks and opportunities in their portfolio and provide visibility of high-risk transactions;
- examine the economic scale of operations in different jurisdictions, validate companies' commitments against tax avoidance and identify those that are ahead of the curve in terms of corporate tax responsibility;
- raise questions with companies where tax structures and strategies do not align with economic value generated and therefore, facilitate more responsible corporate behaviour.

It will also allow responsible businesses to demonstrate that they are contributing positively towards the recovery from the pandemic and paying taxes in the countries where they create value.

Thank you for the opportunity to share our views. We remain at your disposal for any questions.

Key contacts: Elise Attal or Vaishnavi Ravishankar, PRI

Yours sincerely,

Fiona Reynolds

Fiona Reynolds
Chief Executive Officer, Principles for Responsible Investment

About the PRI

The PRI is the world's leading initiative on responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of 3,800 investor signatories (representing more than $100 trn in assets under management) in incorporating these factors into their investment and ownership decisions. The PRI has worked with global investors since 2015 on the issue of corporate tax responsibility, producing guidance for investors, recommendations on corporate income tax disclosure and more recently, coordinating a collaborative engagement to drive better corporate tax transparency (including on public country-by-country reporting).

SIGNATORIES

Jean-Jacques Barbéris
Head of Institutional and Corporate Clients Division & ESG
Amundi

Daniel Simard
CEO
Bâtirente

Faith Ward
Chief Responsible Investment Officer
Brunel Pension Partnership (BPP)

Lauren Compere
Managing Director
Boston Common Asset Management

Wim Van Hyfte
Global Head of ESG Investments & Research
Candriam Investors Group

Mario Sánchez
President of the supervisory board
CCOO, FP

Gareth Mostyn
CEO
Church Commissioners

Mike Haxby
Director
DBAY Advisors Limited

Corey Klemmer
Director of Engagement
Domini Impact Investments

François Lett
Head of the Ethical and Social Finance research department
Ecofi Investissements

Hélène Canolle
Head of SRI
ERAFP - Etablissement de Retraite Additionnelle de la Fonction Publique Pension Scheme

Aldo Bonati
Corporate Engagement and Networks Manager
Etica SGR – Responsible Investments

Vincent Kaufmann
CEO
Ethos Foundation

Matthias Narr
Head Engagement International
Ethos Engagement Pool International

Erik Alhøj
CEO
Engagement International

Marc Christopher Lavoie
President
Hexavest

Lisa Beauvilain
Head of Sustainability & ESG
Impax Asset Management

Laetitia Tankwe
Special Advisor of the President
Ircantec

Kiran Aziz
Senior Analyst, Responsible Investment
KLP

Joseba Orueta
CEO
Kutxabank Gestion SGIIC SAU.

Alexander Burr
ESG Policy Lead
Legal & General Investment Management (Holdings)

Luisa Florez
Head of SRI Solutions
LBPAM - La Banque Postale Asset Management

Samu Anttila
CEO
LocalTapiola Asset Management Ltd

Councillor Doug McMurdo
Chair of LAPFF
LAPFF - Local Authority Pension Fund Forum

Valborg Lie
Stewardship Manager
LGPS Central Limited

Mathilde Dufour
Head of ESG Research - Listed Assets
Mirova

Jamie Bonham
Director, Corporate Engagement
NEI Investments

Kirstine Lund Christiansen
Head of ESG
P+

Jens Christian Britze
Head of Tax
PKA

Carola van Lamoen
Head Sustainable Investing
Robeco

William de Vries
Director Impact Equities & Bonds
Triodos Asset Management

Mathew Browning
CEO
UEthical

Allan Nisted
Chief Tax Officer
Sampension

Emeric Preaubert
Chairman and CEO
Sycomore Asset Management

Michael Wyrsch
Chief Investment Officer
Vision Super

SUPPORTING ORGANISATIONS

Aurélie Baudhuin
President
SfC-Shareholders for Change

Michela Cocchi
President
Lady Lawyer Foundation