Categories: Hot Topics > Data & Disclosure | Hot Topics > Regulation | Hot Topics > Thought leadership | Institutions > Pension funds | Institutions > Asset Managers | Institutions > Companies | Institutions > Central banks & regulators | Environmental > Climate change | Governance > Exclusions & divestment | Governance > Tax

Global ‘fair tax’ label launched

News comes as investors increasingly press companies on practices and transparency

by: Gina Gambetta Nov 25th, 2021

The Fair Tax Foundation has launched a global “gold standard” to help investors and other stakeholders identify companies that pay the right amount of corporation tax “at the right time and in the right place”.

The Fair Tax Mark Global Multinational Business Standard is an extension of the foundation’s UK-focused label, which was launched in 2014. Faith-based investor Epworth became the first asset manager to qualify for the label last year. Ethical Investors and the UK’s Pensions & Investments Research Consultants have now also qualified, along with around 70 companies. The first non-UK company to secure the label is Swedish energy firm Vattenfall, which was approved today.

Paul Monaghan, Chief Executive of the Fair Tax Foundation, told RI that it will now step up its engagement with institutional investors - a growing number of whom have highlighted tax as an ESG priority and could encourage portfolio companies to pursue accreditation.

Ethical investment network Shareholders for Change (SfC) is one group that has already begun engaging with companies on tax issues. Next week, it will publish a report on its work with Alphabet, Amazon, Apple, Facebook, McDonald’s and Starbucks, which centres on their alleged aggressive tax practices.

In one part of the report, seen by RI, SfC member Ethos says it remains “in close contact” with the companies, which have not achieved any “significant improvements” on transparency.

“Thus, a second focus was put on policy engagement with relevant parties,” it says, referring to the US Senate, the EU and the Financial Accounting Standards Board.

Aurélie Baudhuin, SfC’s President and Deputy Managing Director of Meeschaert Amilton Asser Management, told RI the group is also analysing 350 European and US companies that received state aid during the pandemic to see – among other things – what percentage of their businesses are in tax havens or conduit jurisdictions. The findings will be released in January.

The Principles for Responsible Investment also plans to launch a discussion paper on tax fairness in coming weeks, to help steer its thinking on how investors can address the issue.

Meanwhile, British and Norwegian universities are asking investors for their views and preferences around corporate tax transparency to inform "communications with regulators and legislators to help shape corporate tax transparency standards and practices globally".

Earlier this year, Norges Bank Investment Management divested seven undisclosed companies over their tax policies. The $1trn sovereign wealth fund told its investee companies in 2017 that it expected them to pay taxes in the countries where they create value and to report accordingly.

Last year, Dutch pension giant ABP created 10 principles on tax responsibilities it said it expected portfolio companies to follow. Mirte Brondsdijk, a Senior Responsible Investment & Governance Manager at the fund's asset manager, APG, told RI she didn't expect the principles to form the basis of divestment, but "an active dialogue and engagement [is] going on with a number of companies that we have selected on the basis of these policies."

tax havens or conduit jurisdictions. The findings will be released in January.

Just last week, Danish pension giant PKA said it will review the tax its portfolio companies pay as part of its latest ESG push. The scheme, which is responsible for four pension funds totally some €41bn, will assess its largest holdings as a starting point, but will extend the review to smaller companies over time. Those that do not meet PKA's expectations will be subject to engagement.

European Parliament signed off on long-awaited rules obliging big multinationals to publicly declare the taxes they pay in each EU country, in order to undermine tax avoidance.

tagged with: PRI, ABP, NBIM, Eurosif, EU, Epworth, PKA, Fair Tax Foundation, SfC