

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 field², 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:

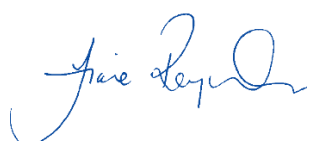
- better assess tax risks and opportunities in their portfolio and provide visibility of high-risk transactions;
- examine the economic scale of operations in different jurisdictions, validate companies' commitments against tax avoidance and identify those that are ahead of the curve in terms of corporate 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
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).

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