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Basis for Conclusions for GRI 207: Tax 2019

Summary of Public Comments on the Exposure Draft of the Standard, and GSSB Responses

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Description	This document sets out the significant issues from public comments received on the exposure draft of the Standard for tax and payments to governments (now known as *GRI 207: Tax 2019*), during the public comment period from 13 December 2018 to 15 March 2019. It also outlines the GSSB responses to the significant issues based on Technical Committee discussions and recommendations. The full set of individual comments received are available to download from the GSSB website. *GRI 207: Tax 2019* can be downloaded here.

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About this document

This document summarizes the significant issues from the public comments received on the exposure draft of GRI topic-specific Standard: Tax and Payments to Governments (now titled *GRI 207: Tax 2019*), during the public comment period from 13 December 2018 to 15 March 2019.

This document incorporates the comments received via the public comment form hosted on the GRI tax and payments to governments project page (this page is now titled 'Development of GRI 207: Tax 2019'), and official feedback submitted via email. Where relevant, it also references comments made at stakeholder workshops held during the public comment period.

All comments received, together with an analysis of the issues raised, were considered by the Technical Committee on tax and payments to government. Their recommendations were shared with the Global Sustainability Standards Board (GSSB) for review and approval.

This document provides a summary of the GSSB responses to the significant issues raised during the public comment period.

The full set of individual comments received via the public comment form and via email are available here.

Introduction

Background and objectives for the development of GRI 207

The project proposal for disclosures on tax and payments to government was approved in May 2017 by the Global Sustainability Standards Board (GSSB), GRI's independent standard setting body.

The primary objective of this project was to develop new, specific disclosures related to tax and payments to government, which would be considered for incorporation into the GRI Sustainability Reporting Standards (GRI Standards).

A multi-stakeholder technical committee was formed for the project. More information about the project scope and objectives can be found in the project proposal.

The project proposal specified that the outcomes of the project could take several forms. The Technical Committee on tax and payments to government recommended the inclusion of a new dedicated topic-specific standard. This recommendation was presented at the GSSB meeting on 28 June 2018.

The development of *GRI 207: Tax 2019* was carried out in line with the GSSB Due Process Protocol.

GRI 207 was approved by the GSSB in September 2019 and released on 5 December 2019.

Scope of the public comment

The exposure draft was open for public comment from 13 December 2018 to 15 March 2019.

Respondents were asked to provide feedback on whether the proposed disclosures were understandable, feasible, critical and complete.

The GSSB also asked for feedback on the following specific areas:

- New terms and definitions included in the glossary;
- Whether the organization is subject to any existing reporting requirements on tax and payments to government and how these compare to the exposure draft; and
- Whether, based on the exposure draft, the respondent predicted that the topic might be material for their organization.

Respondents were also provided with an opportunity to submit any other feedback on the exposure draft.

A range of outreach activities were carried out during the public comment period, including stakeholder workshops and webinars. Comments collected during these activities, though not considered official public comment submissions, were also taken into account when they aided understanding of the official submissions, or when they flagged a significant issue that was not raised in the official submissions.

Any comments that related to areas outside the scope of *GRI 207* (such as requests to develop sector guidance) has been directed to the appropriate team or project for consideration.

Overview of public comment submissions

Stakeholders were able to give feedback on the exposure draft via the public comment form hosted on the GRI tax and payments to governments project page (hereafter public comment form), and/or directly via email. The public comment form included the draft Standard and a short questionnaire (see Annex 1 for an overview of questions) about specific contents of the draft Standard.

Respondents who wanted to provide additional feedback on the exposure draft, or an official letter or statement, could do so via email to tax@globalreporting.org. Any feedback received by email was reviewed and analyzed along with the comments received through the public comment form.

Total participation during the public comment period

There were 83 submissions[1] from 109 individuals and organizations[2] received during the public comment period. The submissions came from all five stakeholder constituencies represented by the

[1] Four additional submissions were received that did not meet the deadline or the requirements of the Due Process Protocol. These were not considered official submissions but were reviewed and taken into account when they aided understanding of the official submissions.

[2] This number only includes organizations that were explicitly listed as submitters; it does not include organizations or individuals who are members of a representative group, such as an industry association or trade group, that made a public comment submission.

GSSB: business enterprise, civil society organization, investment institutions, labor, and mediating institutions.

For more detail, see:

- The full set of individual comments received via the public comment form and via email, available to download from the GSSB website;
- Annex 2 for an overview of respondents who provided feedback via the public comment form and via email;
- Annex 3 for a breakdown of public comment submissions by representation, region, and stakeholder constituency.

Approximately 250 people attended stakeholder events in Amsterdam, Brussels, London, Boston, Phoenix, Johannesburg, and online. Annex 4 lists the date and number of attendees for each event.

Basis for conclusions

In line with the Due Process Protocol, this section summarizes the significant issues raised by respondents, outlines proposed changes to exposure draft, and explains the reason(s) why significant changes recommended by a respondent(s) were, or were not, accepted by the GSSB.

The issues included in this section are either significant themes raised by a large number of respondents, or issues that were brought up by a few respondents but led to a significant change in the Standard.

Notes to assist the reader

1. This section includes references to both the exposure draft and the final Standard. For reference, the disclosures for both are listed below. The significant issues are organized based on the structure of the exposure draft.

   The exposure draft consisted of the following five disclosures:

   Management approach disclosures

   - Disclosure XXX-1 Approach to tax and payments to governments
   - Disclosure XXX-2 Tax governance, control, and risk management
   - Disclosure XXX-3 Stakeholder engagement and management of concerns related to tax and payments

   Topic-specific disclosures

   - Disclosure XXX-4 Entities and activities by tax jurisdiction
   - Disclosure XXX-5 Country-by-country reporting

   The final Standard, *GRI 207: Tax 2019*, consists of the following four disclosures:

   Management approach disclosures

   - Disclosure 207-1 Approach to tax
   - Disclosure 207-2 Tax governance, control, and risk management
   - Disclosure 207-3 Stakeholder engagement and management of concerns related to tax

   Topic-specific disclosures

   - Disclosure 207-4 Country-by-country reporting

2. When significant issues are described in the next section, the following qualifiers are used to indicate the approximate number of submissions[3] that provided the feedback:

Qualifier[3]	Number of submissions
One respondent	1
A few respondents	2% - 6%
Some respondents	7% -18%
Many respondents	19% - 43%
Approximately half of respondents	44% - 54%
The majority respondents	55%+

Significant issues and GSSB responses

General themes

a) Name and scope of the Standard

A number of respondents and participants at stakeholder events noted that the Standard was primarily focused on tax reporting and did not comprehensively cover other payments to governments.

GSSB response: *The Standard as it has been developed focuses on the contribution and impact of organizations' tax practices and does not comprehensively cover non-tax related payments to governments. The final title of the Standard is GRI 207: Tax 2019 to better reflect its content. In addition,* GRI 201: Economic Performance 2016*, which incorporates reporting on payments to governments, will be considered as part of the planned review of the other Standards in the 200 series (economic topics).*

Disclosure XXX-1 Approach to tax

a) Reporting on the use of tax havens

A few respondents suggested that reporting on the use of tax havens be required as it is a key indicator of the reporting organization's approach to tax. In contrast, one respondent suggested that it is not feasible for organizations to report in detail on their use of tax havens.

Some respondents suggested using an alternative term or defining the term 'tax haven'. It was recognized that there is no globally accepted definition or list for tax havens.

GSSB response: *The reference to 'tax havens' is provided as an example of the types of tax practices a reporting organization can describe to illustrate its approach to tax. Organizations can report on the use of tax havens where it aids in explaining their approach to tax.*

[3] For the purposes of these qualifiers, one submission is considered as one respondent.

It is recognized that there are ongoing discussions in a number of international forums about the appropriate term and definition that can be applied to describe 'tax havens'. Given these discussions, the GSSB do not feel it is their role to introduce or validate any single term or definition. The general meaning of the term tax haven is well understood and commonly used. If it is important for understanding that a reporting organization uses an alternative term or defines the concept, they will be able to do so in their reporting.

b) The availability and scope of an organization's tax strategy

Some respondents suggested that the reporting of the organization's tax strategy in full is preferable, and that the organization should be required to publish the full strategy or an explanation of why it is not available.

Some respondents also commented that organizations might have a tax strategy or tax strategies that vary in scope and application, and, for example, an organization could have both global and local tax strategies. Respondents suggested including guidance on how an organization is to report on its tax strategy in these scenarios. A number of specific suggestions were made, including specifying a preference for the reporting of the global strategy and requiring the reporting of any entities or jurisdictions not covered by the tax strategy.

GSSB response: Disclosure 207-1 (Disclosure XXX-1 in the exposure draft) requires the reporting organization to describe its approach to tax. The requirement to report on whether the organization has a tax strategy and, if so, a link to this strategy if publicly available, forms part of this description and will be an indicator of the organization's approach to tax and tax transparency. Guidance for Disclosure 207-1 prompts the organization to provide an abstract or summary of its tax strategy if it is not publicly available. If an organization has chosen not to make its tax strategy public, this does not limit the requirement for the organization to describe its approach to tax.

The reporting organization might compose its tax strategy or tax strategies differently depending on a range of factors and organizational preferences. The guidance has been expanded to clarify how the organization can report in a range of scenarios, including if the organization has a tax strategy that applies to a smaller number of entities or tax jurisdictions than is covered by the report, or if the organization has tax strategies that apply to individual entities or tax jurisdictions as well as a more expansive strategy.

c) Reporting on the approach to regulatory compliance

A few respondents suggested that the guidance for reporting on the approach to regulatory compliance is subjective, while others expressed concern about a reporting organization's ability to reasonably interpret or comment on the intent of regulatory requirements. One respondent mentioned that the guidance seems to suggest that organizations should pay more tax than is required if they believe the legislation does not reflect the intended 'spirit'.

A few respondents questioned the need for this requirement and suggested that if reporters provide a link to their tax strategy, this would ensure the reporting of their approach to regulatory compliance.

GSSB response: It is acknowledged that there is a level of subjectivity to concepts such as 'the letter of the law' and 'the spirit of the law'. However, organizations commonly make statements about seeking to comply with the 'letter of the law' and/or the 'spirit of the law' to describe their approach to tax. The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises *also use these terms to describe the expectations of organizations in respect to tax.*

The guidance has been revised to focus on the 'intention(s)' of the organization toward regulatory compliance and to specify that a reporting organization can use statements it has made in its tax strategy or other relevant documents, such as policies, standards, principles, or codes of conduct, to respond to this reporting *requirement. It also directs reporting organizations to the 'Taxation' chapter in the* OECD Guidelines*, where they can find further guidance on the concepts.*

d) Reporting on the link between the approach to tax and the economic needs of the countries in which an organization operates

Many respondents considered the requirement to report on the link between the tax strategy and the broader economic needs of the countries in which an organization is operating, unnecessary and unfeasible. Some suggested that this would require the reporting organization to first determine the broader economic needs of individual countries, which will be challenging and might be inappropriate for an individual organization to determine. One respondent suggested that it is unlikely an organization's approach to tax or its tax strategy take into account the economic situation of all the jurisdictions in which it operates.

A few respondents proposed that the words 'and to the broader economic needs of the countries in which the organization operates' be deleted from this requirement, while others requested further clarity to understand this part of the requirement.

It is noted that some respondents expressed explicit report for this reporting requirement.

<u>GSSB response:</u> The words 'and to the broader economic needs of the countries in which the organization operates' have been deleted from the reporting requirement (Disclosure 207-1-a-iv in the final Standard). The reporting organization is still required to report on how its approach to tax is linked to its business and sustainable development strategies.

Disclosure XXX-2 Tax governance, control, and risk management

a) Reporting on embedding the approach to tax

Some respondents suggested including in the guidance additional examples of initiatives that support adherence with the approach to tax or tax strategy.

<u>GSSB response:</u> The list of examples of how the approach to tax may be embedded in the organization is not intended to be exhaustive but constitutes illustrative guidance. The list has been revised to better reflect the types of initiatives suggested by respondents, including adding the example of remuneration or incentive schemes for the person(s) responsible for implementing the tax strategy, as this can be a strong indicator of practice being aligned with intention.

b) Reporting on the approach to tax risks

Some respondents suggested including additional examples of how tax risks are identified, managed, and monitored in the guidance.

<u>GSSB response:</u> The list of examples that show how an organization might identify, manage, and monitor tax risks is not intended to be exhaustive. The guidance has been expanded to confirm that when reporting on the approach to tax risks, the reporting organization can refer to any internal control framework or generally accepted risk management principle that it applies to tax.

Disclosure XXX-3 Stakeholder engagement and management of concerns related to tax

a) Reporting on engaging with tax authorities

Some respondents suggested that the reporting of further information on specific types of engagement with tax authorities, such as tax rulings, tax disputes, and submissions to government inquiries would fill an existing transparency gap.

A few respondents suggested that this information would be easier to understand if reported by jurisdiction. In order to get insight into the organization's approach to certain tax practices, such as entering into advance pricing agreements or participation in cooperative compliance agreements, it is necessary to be able to identify the jurisdictions where the organization has entered into such agreements.

GSSB response: No change has been made to the disclosure (Disclosure 207-3 in the final Standard) or related guidance. The guidance lists examples of types of engagement that organizations can consider when reporting on their engagement with tax authorities; however, this list is not intended to be exhaustive.

While reporting on engagement with tax authorities in individual tax jurisdictions might provide insights relevant to those tax jurisdictions, the value of this information is not considered to adequately justify the additional reporting.

b) *Reporting further detail on the approach to public policy advocacy*

Some respondents suggested additional guidance to encourage more thorough reporting on the extent to which a reporting organization uses advocacy to influence public policy on tax. Suggestions included adding the following examples of public policy advocacy to the guidance:

- Membership in representative associations or financial support to any industry bodies that participate in lobbying for reducing tax accountability or promoting aggressive tax planning;
- Whether and how the organization reviews the alignment of its own approach to the policy positions of the representative associations of which it is a member of, and the steps it takes to distance itself and ensure a responsible approach to tax;
- More information on what constitutes 'lobbying activities';
- Monetary value spent on lobbying activities; and
- A list of political donations.

Two stakeholders requested that the term 'lobbying' be elevated from guidance to a reporting requirement or recommendation in order to reflect the importance of reporting on tax-related lobbying activities.

GSSB response: No change has been made to the reporting requirement. Public policy advocacy is a term that encompasses a range of activities, including lobbying. The guidance has been expanded to include additional examples to show how an organization may report in more detail on its relationship with any representative associations or committees that participate in public policy advocacy on tax.

GRI 415: Public Policy 2016 *addresses the topic of public policy generally, including organizations' participation in the development of public policy through activities such as lobbying and making financial or in-kind contributions to political parties, politicians, or causes.*

For organizations that have identified public policy as a material topic, GRI 415 *requires reporting on the total monetary value of financial and in-kind political contributions made directly and indirectly by the organization. It is considered that there is no viable way to reasonably identify which part of these political donations is attributable to tax.*

c) *Reporting on the process for collecting and considering the views and concerns of stakeholders*

Many respondents requested that the disclosure (Disclosure XXX-3-iii in the exposure draft) be expanded to include all stakeholders by deleting the word 'external', as information on engagement with internal stakeholders, such as workers, is also relevant.

Other respondents were divided on the relevance of this reporting requirement. A few mentioned that the information was not of value, with a few respondents suggesting that it be deleted or made a recommendation. Other respondents suggested the reporting of further detail, such as a list of stakeholders engaged and the issues raised, be encouraged through the guidance.

GSSB response: Stakeholders have the potential to be impacted and to impact on the expectations of organizations' tax practices. Having a process by which various stakeholders can engage with the organization on its tax practices is an indicator of responsible and transparent tax practice.

The reporting requirement (Disclosure 207-3-iii in the final Standard) has been maintained and expanded to cover all stakeholders. The clause 'including external stakeholders' has been added to the disclosure to highlight that reporting on the processes for collecting the considering the views and concerns of external stakeholders is required.

The guidance has also been expanded to provide further direction on how the reporting organization can provide additional information on their stakeholder engagement process and its outcome.

Topic-specific disclosures

a) *Structure of the topic-specific disclosures*

Participants at stakeholder events raised concerns that the expectation listed in the exposure draft to report both topic-specific disclosures (XXX-4 and XXX-5) was confusing and may not be adhered to by reporting organizations that report with the 'in accordance: core option'. A few stakeholders suggested merging the two disclosures in order to avoid any misunderstanding.

GSSB response: The topic-specific disclosures (XXX-4 and XXX-5 in the exposure draft) have been combined into a single topic-specific disclosure, titled 'country-by-country reporting' (Disclosure 207-4 in the final Standard) in order to remove the exception to the 'in accordance: core option' criteria.

b) Alignment with OECD (BEPS Action 13) country-by-country reporting requirements

Many respondents noted an apparent alignment between the topic-specific disclosures (XXX-4 and XXX-5 in the exposure draft) and the Organisation for Economic Co-operation and Development (OECD) country-by-country reporting requirements (as set out in OECD BEPS, *Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report*). They considered that the alignment between the two frameworks reinforced the value and feasibility of the country-by-country reporting proposed in the Standard.

In contrast, many other respondents mentioned that there are some inconsistencies between OECD BEPS and the Standard. Most of these respondents noted that reporting on transfer pricing was excluded from the Standard and suggested that this be added. A few respondents also identified differences between the detail of individual reporting requirements compared to OECD BEPS and suggested this could present challenges for reporting organizations.

Two respondents suggested that definitional inconsistencies could be resolved by allowing more flexibility in the definitions or compilation requirements. A few respondents suggested that an organization should be able to publish their OECD BEPS country-by-country reports in response to the Standard.

The concept of harmonization and alignment was also raised during stakeholder engagement events.

GSSB response: It is acknowledged that aligning with other reporting may reduce the level of effort and cost associated with public country-by-country reporting. All the differences between the exposure draft and OECD BEPS have been reviewed in this context. Some differences between the requirements set out in the final Standard and the requirements in OECD BEPS have been retained. Where a difference is retained, it is on *the basis that the requirement is considered to more clearly provide insight into the organization's scale of activity and its tax practices for a variety of stakeholders.*

For example, unlike OECD BEPS, the final Standard does not require a reporting organization to report revenues as a result of transactions between entities, or related parties, within the same tax jurisdictions. An organization's total revenues often comprise revenues generated from transactions with third, or unrelated, parties, and revenues generated from transactions with other entities within the organization, or related parties. The final Standard does not require the organization to report transactions between entities, or related parties, within the same tax jurisdiction as these transactions do not affect the tax base of the organization. This is considered a more appropriate indicator in the context of tax reporting than aggregated revenues, which face the risk of local revenues being double-counted and creating a misleading impression about the organization's scale of activities in a jurisdiction.

This same rationale is also applied to profit/loss before tax and tangible assets other than cash and cash equivalents, though for these two requirements, consolidation is an option but is not mandated. A number of other differences between the two frameworks are discussed in this basis for conclusions under relevant sections.

In response to the comment on transfer pricing, it is acknowledged that as part of an organization's OECD BEPS reporting to the tax authority/ies, it will submit a transfer pricing analysis related to transactions between an entity and associated entities in different countries. However, this information is extensive and complex, and is considered infeasible and impractical to report. Based on these considerations, reporting on transfer pricing has not been included as a requirement in the final Standard.

c) The availability of information and current reporting practice related to tax

A few respondents raised a concern that there was a potential challenge associated with the timing of sustainability reporting in comparison with when annual tax returns and OECD BEPS country-by-country reports are submitted to national tax authorities. It was flagged that existing reporting practice would make it difficult to prepare the information required by the topic-specific disclosures (XXX-4 and XXX-5 in the exposure draft) in time for sustainability reporting.

The OECD BEPS, *Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 - 2015 Final Report* suggests that national tax authorities require organizations to prepare and submit their (non-public) country-by-country reports within 12 months after the end of the reported financial/fiscal year.

One respondent suggested that there needs to be greater flexibility of the timing for reporting the topic-specific disclosures (XXX-4 and XXX-5 in the exposure draft) to allow for the finalization of local statutory accounts.

Concerns that reporting of the topic-specific disclosures was achievable in the time frame normally associated with preparing sustainability reporting was also raised during stakeholder engagement events.

GSSB response: It is acknowledged that the common existing practice of organizations is to prepare tax-related reporting later than their sustainability reporting. It is considered that aligning the reporting required under the topic-specific disclosure(s) (Disclosure 207-4 in the final Standard) may become feasible in time but that it will involve a change in practice and so may be a challenge for reporting organizations in the near-term.

As a consequence, a (compilation) requirement (clause 2.1 in the final Standard) has been added that clarifies that if it is not possible to report country-by-country information based on the most recent audited consolidated financial statements, or the financial information filed on public record, the organization may report data for the time period covered by the audited consolidated financial statements, or the financial information filed on public record, immediately preceding the most recent ones.

This may result in the time period of the information reported under the topic-specific disclosure (Disclosure 207-4 in the final Standard) being different from the reporting period of an organization's sustainability reporting. To ensure that the relevant time period is clear for a reader of the information, an additional requirement has been added that requires a reporting organization to report the time period covered by the information reported (Disclosure 207-4-c in the final Standard).

Disclosure XXX-4 Entities and activities by tax jurisdiction

a) Clarifying the term 'tax jurisdiction'

One respondent, along with an attendee at a stakeholder event, advised that the use of the term 'tax jurisdiction' and the corresponding definition should be reconsidered as it could lead to incomplete reporting. They suggested that appending 'tax' to jurisdiction could inadvertently lead to the exclusion of relevant jurisdictions, by either giving the impression that jurisdictions that do not require the payment of tax do not fall within the scope of this disclosure or that it is only necessary to report on jurisdictions where an organization makes material tax payments.

In addition, a few respondents suggested that the definition did not make it sufficiently clear at which jurisdictional level information has to be reported (i.e., at the country or federal level, or a more local level).

GSSB response: The definition of 'tax jurisdiction' has been revised to clarify that for the purposes of this Standard, a tax jurisdiction is at the country level (i.e., a country, or a territory with autonomous taxing powers similar to a country). A note has also been added to the definition to clarify that where a tax jurisdiction chooses not to impose corporate income tax, it still falls within the definition of tax jurisdiction and, as such, needs to be reported under Disclosure 207-4.

b) Clarifying the term 'entity'

A few respondents suggested that the definition of 'entity' should include a reference to the 'permanent establishment of a business unit', in order to ensure that the reporting organization also accounts for profits attributed to a permanent establishment in a tax jurisdiction.

GSSB response: Introducing a tax-related definition for the term 'entity' would have implications for the use of the word in other places in the GRI Standards. As a consequence, the definition of 'entity' has been deleted from the glossary and the guidance has been expanded to specify that entities include permanent establishments.

c) Reporting the names of resident entities

Some respondents suggested that the definition of principal entities could cause confusion, with a number of possible interpretations. A few respondents pointed out that if the share of turnover contributed by entities fluctuates, the list of principle entities might not be comparable year-on-year. It was suggested that a list of all entities would instead be more informative without increasing cost or effort associated with reporting.

GSSB Response: It is noted that Disclosure 102-45 in GRI 102: General Disclosures 2016*, already requires a list of all entities included in the organization's consolidated financial statements or equivalent documents. The listing of all constituent entities resident in tax jurisdictions is also required by some other existing reporting requirements, for example OECD BEPS country-by -country reporting. Given this, the requirement to report the 'principal entities' (along with the requirement to report the number of entities in a jurisdiction) has been replaced with a requirement to report the names of the resident entities by jurisdiction (Disclosure 207-4-b-i in the final Standard). The definition of 'principle entities' has consequently been deleted from the glossary.*

d) Additional reporting on number of workers

Approximately half of the respondents suggested expanding Disclosure XXX-4 (part of Disclosure 207-4 in the final Standard) to require reporting on the number of workers in addition to employees. Respondents suggested that, as organizations might employ more workers indirectly through contractors than direct employees, the number of workers is a more accurate indicator of economic activity.

Some respondents also suggested that the definition of 'worker' be amended to list the explicit types of arrangements it includes.

In addition, a few respondents suggested that organizations be required to report the number of employees in full-time equivalents to ensure comparability.

GSSB response: It is acknowledged that there might be situations where reporting the number of workers in a tax jurisdiction could be a better indicator of an organization's scale of activity than the number of employees. However, this will not always be the case and requiring all organizations to report both employees and workers is not considered essential. The guidance explains that an organization can report the number of workers performing the organization's activities, if this helps explain the organization's scale of activity.

The guidance specifies that the reporting organization may use an appropriate calculation to determine employee numbers, and correspondingly, the requirement has been expanded to include reporting on the basis of calculation of the number. The guidance also highlights the importance of consistent reporting across jurisdictions and time periods.

The definition of 'worker' has not been revised as it is part of the existing GRI Standards Glossary and is not unique to tax reporting.

Disclosure XXX-5 Country-by-country reporting

a) Calculating profit

A few respondents highlighted that it is unclear if profit/loss before tax is to be reported on the same basis as revenues; a different basis (i.e., aggregation) could result in over-inflation of the figure and reduce the meaningfulness of the information.

GSSB response: The guidance for profit/loss before tax has been revised – the word 'sum' has been replaced by 'consolidated' to clarify that profit/loss before tax can be calculated on a consolidated basis.

Note: this change has also been carried through to the guidance on tangible assets other than cash and cash equivalents (Disclosure 207-4-vii in the final Standard).

b) Reconciling with consolidated financial statements

A few respondents endorsed the requirement for a reporting organization to report information from the 'audited financial statements or information filed on public record', and suggested it provides assurance to report readers that the information disclosed reflects an organization's position in their published financial statements. However, one respondent pointed out that this clause introduces an additional expectation over and above existing non-public country-by-country reporting, such as the OECD BEPS, which allows organizations to choose their preferred source of data. A few respondents also requested further clarity on the clause, including the set of accounts that it refers to (i.e., group audited accounts or the local entity statutory accounts).

GSSB response: It is acknowledged that the requirement to reconcile the data reported for revenues from third-party sales, profit/loss before tax, tangible assets other than cash and cash equivalents, *and corporate income tax paid on a cash basis with the data stated in its audited consolidated financial statements, or the financial information filed on public record (as per clause 2.2.1 in the final Standard), introduces a new expectation not specified in OECD BEPS (which allows the use of a range of data sources). However, the organization's audited consolidated financial statements (or other financial information filed on public record) is an existing publicly available source of this information. Given this, the requirement for reconciling or providing an explanation for the difference is considered to increase confidence in, and understanding of, the financial information being reported by the organization on a country-by-country basis.*

The following revisions have been made to the clause (clause 1.4.2 in the exposure draft, clause 2.2.1 in the final Standard) to improve clarity:

- *The term 'audited financial statements' has been replaced with 'audited consolidated financial statements' to more clearly specify that the clause refers to the financial statements of the group, and not the local statutory accounts;*
- *The words 'use the data stated in' have been replaced with 'reconcile the data reported… with', to mitigate any misunderstanding that there is an expectation that the information for individual tax jurisdictions is listed in the audited consolidated financial statements; and*
- *Guidance has been added for this clause, which explains that the data is considered to be reconciled when the sum of this data for all tax jurisdictions equals the amount reported in the organization's audited consolidated financial statements or in the financial information filed on public record.*

c) Use the term 'corporate income tax'

One respondent suggested replacing the term 'corporate tax' with 'corporate income tax' throughout the Standard to ensure corporate taxes other than income taxes are not included.

GSSB response: 'Corporate tax' has been replaced with the term 'corporate income tax' throughout the Standard.

d) Reporting withholding tax separately from corporate income tax paid

A few respondents indicated different preferences for reporting withholding taxes. One respondent suggested that withholding taxes should be reported separately from the corporate income tax paid to allow for a clear distinction in types of tax paid in different jurisdictions. Two other respondents suggested that this should be aligned with OECD BEPS, which requires withholding tax to be included in corporate income tax paid (on a cash basis). Another respondent suggested that all taxes paid to a tax jurisdiction should be reported for that jurisdiction, whether or not the entity which has made the payment is tax resident in that jurisdiction.

GSSB response: The reporting requirement and guidance included in the exposure draft (Disclosure XXX-5-d), specified that when reporting corporate income tax paid on a cash basis for a tax jurisdiction, the organization can calculate the total actual corporate income tax paid by all resident entities in the tax jurisdiction, including cash taxes paid by entities to the jurisdiction of residence and to all other jurisdictions. This is aligned with guidance provided in OECD BEPS.

For some sectors, it can be particularly relevant to report the jurisdiction where the tax is paid, regardless of where an entity is tax resident. To account for this, the guidance for corporate income tax paid on a cash basis (Disclosure 207-4-b-viii in the final Standard) has been expanded to clarify that if taxes are incurred in *tax jurisdictions where an entity is not resident, the organization can report the amount of tax paid to the other tax jurisdictions separately and also identify the jurisdictions where the tax was paid.*

e) *Reporting the reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied*

A few respondents suggested that preparing corporate tax reconciliations for all tax jurisdictions could be a considerable burden for reporting organizations. One respondent suggested giving further consideration to whether this disclosure appropriately balances the usefulness of the information for stakeholders, with compliance costs. Another respondent suggested either making this a recommendation or limiting the requirement to jurisdictions in which the profits of the organization are considered material.

GSSB response: It is noted that there appears to be some confusion about whether a reporting organization is required to report a quantitative corporate tax reconciliation or a narrative description of the reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax.

The Standard only requires a narrative explanation, which is considered to be a good balance between information that is of key value to a variety of stakeholders and the effort and costs associated with reporting the information.

To further clarify that the requirement is a narrative description, a number of small wording changes have been made to the guidance.

f) *Value of reporting on significant tax incentives*

Respondents were divided on the value of reporting on significant tax incentives (Disclosure XXX-5-g in the exposure draft). Some respondents supported reporting on the use of tax incentives, while others expressed concern about the value and feasibility of this reporting requirement. Some respondents made a range of suggestions about expanding or narrowing the scope of the requirement; others suggested that both the terms 'tax incentive' and 'significant' needed further definition.

One respondent felt that a country-level tax reconciliation is already likely to include any tax incentives that have an impact on the effective tax rate, making this additional requirement unnecessary.

GSSB response: The requirement to report significant tax incentives has been deleted from the disclosure (Disclosure 207-4 in the final Standard). Where a tax incentive is significant, it will likely be reported as a reason for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax. Correspondingly, the guidance for this requirement has been incorporated into the guidance for reporting on the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax (Disclosure 207-4-b-x in the final Standard).

Annexes

1.Overview of questionnaire

Number	Question
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?
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?
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?
Question 4A	Do you have any comments on the definitions included in the glossary of GRI XXX: Tax and Payments to Governments (line numbers 588 - 625)?
Question 4B.	Are there any additional terms in the draft Standard that need to be defined?
Question 5.	Are there additional references, other than those listed in GRI XXX: Tax and Payments to Governments (line numbers 626 - 635), that could be useful in understanding and applying the Standard?
Question 6A.	Are there any disclosures in GRI XXX: Tax and Payments to Governments that are not critical to understanding an organization's tax practices?
Question 6B.	Are there any critical disclosures missing from GRI XXX: Tax and Payments to Governments that are necessary to understanding an organization's tax practices?
Question 7.	If you are a reporting organization, do you believe the draft Standard as it is presented in this form and/or the topic of tax and payments to governments, would be material for your organization?
Question 8A.	If you represent an organization that is currently reporting publicly on tax and payments to governments, how do the disclosures in GRI XXX: Tax and Payments to Governments compare to what you are currently reporting?
Question 8B	Is your organization subject to any existing public reporting requirements on tax and payments to governments? If so, which one/s?
Question 9	Do you have any other comments or suggestions related to this draft Standard?

2.Overview of respondents

The table below provides an overview of the public comment respondents.

Representation	Name	Country	Region	Stakeholder constituency[4]
Organizational	Accountancy Europe	Belgium	Europe	Other
Organizational	ACFO-ACAF	Canada	Northern America	Labor
Organizational	ActionAid International	N/A	Africa	Civil Society Organization
Organizational	Æquo Shareholder engagement services	Canada	Northern America	Investment Institution
Organizational	AG Sustentable and its Community	Argentina	Latin America	Mediating Institution
Organizational	American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) American Federation of State, County and Municipal Employees (AFSCME) CtW Investment Group Boston Common Asset Management Decatur Capital Management, Inc. Domini Impact Investments First Affirmative Financial Network Friends Fiduciary Corporation Harrington Investments Inc. Interfaith Center on Corporate Responsibility International Brotherhood of Teamsters JLens Investor Network Maryknoll Fathers and Brothers Miller/Howard Investment, Inc. Missionary Oblates Justice Peace and Integrity of Creation Office Natural Investments The New York State Common Retirement Fund	United States of America	Northern America	Investment Institution

[4] Stakeholder constituencies marked by * have been reclassified by the Standards Division following a review of the organization's description.

	Scherman Foundation Seventh Generation Interfaith Sisters of Charity of Saint Elizabeth Sisters of St. Dominic of Caldwell New Jersey Sisters of St. Francis of Philadelphia Stewart Mott Foundation Tri-State Coalition for Responsible Investment UAW Retiree Medical Benefits Trust Wallace Global Fund Zevin Asset Management			
Organizational	Anglo American Plc	United Kingdom of Great Britain and Northern Ireland	Europe	Business Enterprise
Organizational	Australasian Centre for Corporate Responsability (ACCR)	Australia	Oceania	Civil Society Organization
Organizational	Australian Council of Superannuation Investors (ACSI)	Australia	Oceania	Investment Institution
Organizational	Australian Shareholders' Association	Australia	Oceania	Investment Institution*
Organizational	AustralianSuper	Australia	Oceania	Investment Institution
Organizational	Barloworld	South Africa	Africa	Business Enterprise
Organizational	BASF SE	Germany	Europe	Business Enterprise
Organizational	BEPS Monitoring Group	N/A	Europe	Civil Society Organization
Organizational	Canadians for Tax Fairness	Canada	Northern America	Civil Society Organization
Organizational	CCOO (Federación de Servicios)	Spain	Europe	Labor
Organizational	CCOO FP	Spain	Europe	Investment Institution*
Organizational	CCOO INDUSTRIA	Spain	Europe	Investment Institution*
Organizational	Centre for International Corporate Tax Accountability & Research (CICTAR)	Australia	Oceania	Civil Society Organization
Organizational	Cheshire Pension Fund	United Kingdom of Great Britain and Northern Ireland	Europe	Investment Institution*
Organizational	Church Commissioners for England	United Kingdom of Great Britain and Northern Ireland	Europe	Investment Institution
Organizational	CLP Holdings Limited	Hong Kong	Asia	Business Enterprise
Organizational	Combustech	Brazil	Latin America	Mediating Institution
Organizational	CPA Australia	Australia	Oceania	Mediating Institution
Organizational	Danish Institute for Human Rights	Denmark	Europe	Other
Organizational	Diakonia	Sweden	Europe	Civil Society Organization
Organizational	Etica Sgr	Italy	Europe	Investment Institution
Organizational	Eumedion	Netherlands	Europe	Investment Institution*
Organizational	European Network on Debt and Development (Eurodad)	Belgium	Europe	Civil Society Organization

Organisational	EuropeanIssuers	15 European countries	Europe	Business Enterprise*
Organizational	Financial Accountability and Corporate Transparency Coalition	United States of America	Northern America	Civil Society Organization
Organizational	Financial Transparency Coalition	United States of America	Northern America	Civil Society Organization
Organizational	FNV	Netherlands	Europe	Labor
Organizational	Fondo de Pensiones de Empleados de Telefónica	Spain	Europe	Investment Institution*
Organizational	Hermes EOS	United Kingdom of Great Britain and Northern Ireland	Europe	Investment Institution
Organizational	IndustriALL Global Union	Switzerland	Europe	Labor
Personal	Professor Richard Eccleston, Mr Lachlan Johnson Associate, Professor Fred Gale, Dr Hannah Gregory Murphy (Institute for the Study of Social Change, The University of Tasmania)	Australia	Oceania	Other
Organizational	International Council on Mining and Metals	United Kingdom of Great Britain and Northern Ireland	Europe	Business Enterprise
Organizational	International Transport Workers' Federation	United Kingdom of Great Britain and Northern Ireland	Europe	Labor
Organizational	International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF)	Switzerland	Europe	Labor
Organizational	Ircantec	France	Europe	Investment Institution
Organizational	Legal & General Investment Management	United Kingdom of Great Britain and Northern Ireland	Europe	Investment Institution
Organizational	LGPS Central Limited	United Kingdom of Great Britain and Northern Ireland	Europe	Investment Institution
Organizational	Lincolnshire Pension Fund	United Kingdom of Great Britain and Northern Ireland	Europe	Investment Institution*
Organizational	"Local Authority Pension Fund Forum (LAPFF) *this submission was also separately endorsed by Cumbria LGPS"	United Kingdom of Great Britain and Northern Ireland	Europe	Investment Institution*
Organizational	LOGIBERIA TRANS S.A	Spain	Europe	Business Enterprise
Organizational	LUCRF Super	Australia	Oceania	Investment Institution

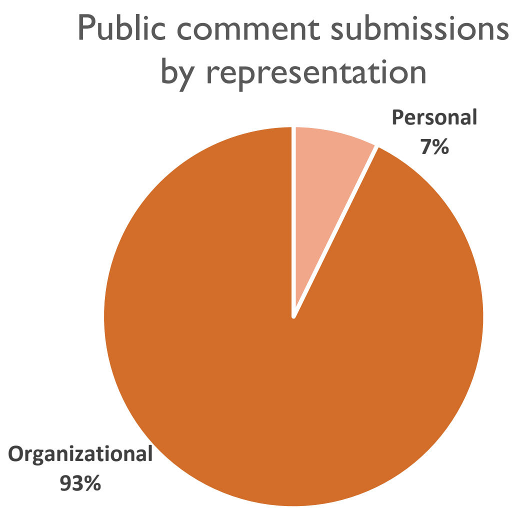
Organizational	Natural Resource Governance Institute	United States of America	Northern America	Civil Society Organization
Organizational	Norges Bank Investment Management	United Kingdom of Great Britain and Northern Ireland	Europe	Investment Institution
Organizational	NYC Comptroller on behalf of: New York City Employees' Retirement System Teachers Retirement System of the City of New York	United States of America	Northern America	Investment Institution
Personal	Senator Sheldon Whitehouse, Congressman Lloyd Doggett, Senator Chris Van Hollen, Congressman Mark Pocan"	United States of America	Northern America	Other
Organizational	Oxfam	United States of America	Northern America	Civil Society Organization
Organizational	PBU - Pædagogernes Pension (Pension Fund of Early Childhood and Youth Educators)	Denmark	Europe	Investment Institution
Organizational	PenSam	Denmark	Europe	Investment Institution
Organizational	Pensions Caixa 2 Pension Fund	Spain	Europe	Investment Institution*
Personal	Elise J. Bean	United States of America	Northern America	Civil Society Organization
Organizational	PFA	Denmark	Europe	Investment Institution
Organizational	PKA	Denmark	Europe	Investment Institution
Organizational	PricewaterhouseCoopers Network of Firms (PwC)	United Kingdom of Great Britain and Northern Ireland	Europe	Other
Organizational	Public Services International (PSI)	France, 163 countries w/ PSI affiliates	Europe	Labor*
Organizational	Public Services International Research Unit (PSIRU) at the Centre for Research on Work and Employment (CREW) at the University of Greenwich, London	United Kingdom of Great Britain and Northern Ireland	Europe	Other
Organizational	Publish What You Pay Global Council	Zambia	Africa	Civil Society Organization
Organizational	Publish What You Pay Norway	Norway	Europe	Civil Society Organization
Organizational	Rathbone Greenbank Investments	United Kingdom of Great Britain and Northern Ireland	Europe	Investment Institution
Organizational	Repsol II, Fondo de Pensiones	Spain	Europe	Investment Institution*
Organizational	Rio Tinto	UK/Australia	Oceania	Business Enterprise
Organizational	Schroders	United Kingdom of Great Britain and Northern Ireland	Europe	Investment Institution*

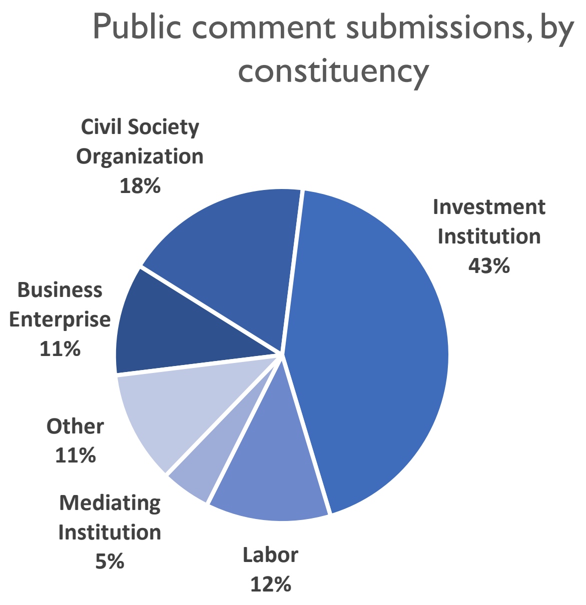
Organizational	Service Employees International Union	United States of America	Northern America	Labor
Organizational	Shareholder Association for Research and Education	Canada	Northern America	Investment Institution*
Organizational	South African Democratic Teachers' Union (SADTU)	South Africa	Africa	Labor
on behalf of the GRI Stakeholder Council	Stakeholder Council Members	N/A	Africa Asia Europe Latin America Northern America"	Other[5]
Personal	Prof. Dr. Karina Sopp, Josef Baumüller (Technische Universität Bergakademie Freiberg, Vienna University of Economics and Business)	Germany / Austria	Europe	Mediating Institution
Organizational	The B Team			Business Enterprise
Organizational	The Independent Commission for the Reform of International Corporate Taxation	United Kingdom of Great Britain and Northern Ireland	Europe	Civil Society Organization
Organizational	TWU Superannuation Fund	Australia	Oceania	Investment Institution*
Organizational	Tyne and Wear Pension Fund	United Kingdom of Great Britain and Northern Ireland	Europe	Investment Institution
Organizational	"UCA Funds Management (to be known as U Ethical from mid-April, 2019)"	Australia	Oceania	Investment Institution
Organizational	UNISON Staff Pension Scheme	United Kingdom of Great Britain and Northern Ireland	Europe	Investment Institution*
Organizational	Unite Pension Scheme	United Kingdom of Great Britain and Northern Ireland	Europe	Investment Institution*
Organizational	United Voice	Australia	Oceania	Labor
Organizational	Vision Super	Australia	Oceania	Investment Institution
Personal	Troy Carter	Australia	Oceania	Other
Personal	Eva Joly (MEP)	France	Europe	Other

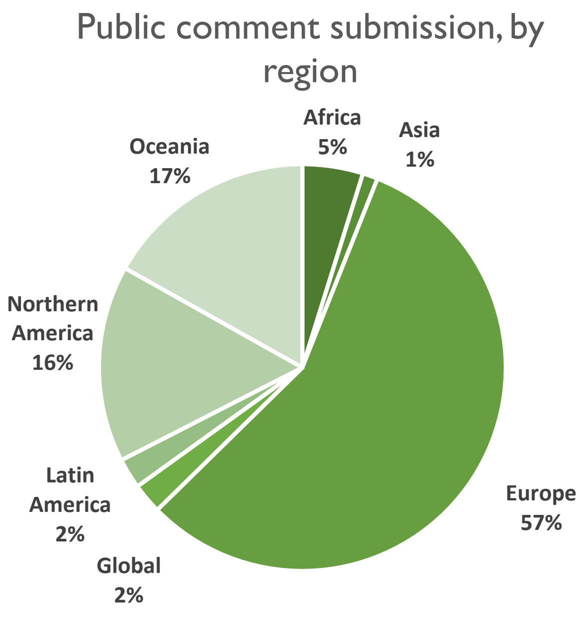
[5] The Stakeholder Council Members represent all stakeholder constituencies. For the purposes of this report they have been classified as ‘other’.

3. Public comment submissions by representation, stakeholder constituency, and region

Breakdown of the submissions by representation, constituency group and region:







4. List of stakeholder workshops and webinars

Location	Date	Number of participants
Virtual webinars	22 & 23 January 2019	93
Virtual webinars (investors only)[6]	28 January 2019 13 February 2019	34
Brussels	31 January 2019	51
London and Boston[7]	7 February 2019	17
Amsterdam	21 February 2019	12
Phoenix[8]	27 February 2019	10
Johannesburg	5 March 2019	29
Total		**246**

[6] Includes two webinars hosted by GRI and one by a third party.

[7] This event was hosted simultaneously across the two locations using conferencing facilities.

[8] This was a drop-in engagement opportunity held as part of a third-party conference and was not delivered in the form of a workshop.