Unprecedented investor support for tax transparency

Investors with $3.6 trillion in combined assets under management have written to the Chair of the SEC expressing support for the shareholder proposal filed at Amazon.com, Inc., and its request for greater tax transparency.

The over 100 signatories represent a broad coalition of asset managers, public pension funds, labour funds, international investors, foundations, and religious investors. The sign-on letter was coordinated by PIRC, as part of a new collaborative initiative on tax transparency, with the Centre for International Corporate Tax Accountability and Research (CICTAR).

This letter responds to Amazon’s decision to challenge the shareholder proposal filed by the OIP Trust and Greater Manchester Pension Fund in December 2021 through the submission of a no action request to the SEC. The shareholder proposal requested that the company disclose global tax practices and risks to investors by reporting in line with the new GRI Tax Standard and publishing country-by-country information on their finances.

In response to Amazon’s challenge, signatories wrote:

> A company’s tax practices are financially material. Aggressive tax practices can expose a company, and its investors, to increased scrutiny from tax authorities, adjustment risks, and increase their vulnerability to changes in tax rules as countries look to protect their tax bases from deleterious practices. Investors need to be provided with sufficient information to gauge a company’s tax position and governance approach and anticipate future impacts on and risks to their holdings.

It asked the SEC to take into account global regulatory momentum around tax reform and changing investor expectations around tax transparency in assessing Amazon’s challenge.

Why Amazon?

Currently, Amazon does not disclose revenues, profits or tax payments in non-US markets, challenging investors’ ability to evaluate the risks to our company of taxation reforms, or whether Amazon is engaged in responsible tax practices that ensure long term value creation. Amazon’s approach to taxation has been repeatedly challenged by tax authorities globally. Exposure of Amazon’s aggressive tax avoidance has helped drive global and national tax reforms. Research by the Fair Tax Mark found that Amazon had the poorest tax conduct amongst the world’s largest tech companies. In 2020, Amazon was singled out by President Biden as having paid no federal corporate income tax in the US.

Amazon was labelled “unresponsive” by members of the PRI’s 2017–2019 engagement on tax transparency.
Investors need greater transparency to evaluate the sustainability of Amazon’s growth. An over reliance on artificial structures to reduce tax obligations in countries around the world creates risks for shareholders and undermines competition for companies that act responsibly.

**QUOTES**

**Katie Hepworth, Responsible Tax Lead, PIRC**

This is an unprecedented level of support for tax transparency and country-by-country reporting. It’s clear that investors see tax as a core governance and sustainability issue and expect companies to provide them with sufficient information to assess their tax planning practices. Leading companies are already publishing country-by-country reporting, which is soon to be mandated by the EU.

**Rev. Séamus P. Finn OMI, Missionary Oblates and OIP Trust (lead filer):**

For too long global companies like Amazon have failed to fulfil their responsibility of good corporate citizenship by contributing their fair share of tax income to local jurisdictions who provide the infrastructure that allows their businesses to be so successful and assures a safe and liveable environment for all.

**Cllr Cooney the Vice Chair of Greater Manchester Pension Fund (co-filer):**

The Greater Manchester Pension Fund takes its responsibilities very seriously in looking after the pension promises of more than 370,000 members, and its fiduciary duty in looking after the members’ interests and the assets of the Fund to employers and taxpayers, who underwrite pension liabilities.

We are committed to using our voice as responsible activist investors to engage companies on their tax planning approach to create long-term value for beneficiaries leading to sustainable benefits for the economy, the environment and society.

Aggressive corporate tax avoidance can be a source of regulatory, financial and reputation risk to companies and their investors. While it may deliver short-term benefits to shareholders, this can come at a cost to long-term shareholder value and at a cost to public service provision by undermining public finances and create greater societal inequality.

**Jason Ward, Principal Analyst, CICTAR:**

Aggressive tax avoidance appears to be baked into Amazon’s business model and has been from day one. Presidents Trump and Biden and many other world leaders have denounced Amazon’s tax dodging. The fact that both the US and the European Union took Amazon to court to challenge blatant tax dodging via Luxembourg — and lost — is a clear indication that current national, regional, and global tax rules are in urgent need of an overhaul. Widespread awareness of Amazon’s tax dodging was a key driver to implement Digital Services Taxes in dozens of countries and more recently core to discussions around the current OECD global tax reforms. Public country by country reporting is essential for Amazon’s shareholders to understand the risks. Right now, shareholders are in the dark, they don’t even know where the company books profits or losses, let alone the impact of global tax reforms.

**Vincent Kaufmann, CEO of Ethos Foundation:**
Regrettably, the targeted company has shown little interest in substantially improving their related practices, thus we are fully supportive of the resolution filed by the Greater Manchester Pension Fund and the Oblate International Pastoral (OIP) Investment Trust calling on Amazon to improve its tax transparency. By implementing the GRI (Global Reporting Initiative) Tax Standard, including public country-by-country tax reporting, the company would provide its investors with the necessary information to thoroughly assess their tax practices.

**BACKGROUND**

PIRC is the largest independent European provider of corporate governance, proxy voting and corporate social responsibility investment research and engagement advisory services. Our clients include pension funds and fund managers with combined assets of over £1.5 trillion.

Centre for International Corporate Tax Accountability and Research (CICTAR) is an international research centre that conducts targeted research on corporate tax avoidance to build pressure for necessary national and global reforms and change corporate behaviour.

The Oblate International Pastoral Investment (OIP) Trust was established by the Oblates of Mary Immaculate to manage the financial resources of more than 100 Roman Catholic organizations worldwide. The Trust is a professionally managed, diversified investment fund that seeks to promote a more equitable and sustainable world through socially responsible, faith consistent, and impact investing.

On 6 September 2021, the Greater Manchester Pension Fund (GMPF) was approved as a signatory to the Financial Reporting Council’s UK Stewardship Code 2020 following a rigorous assessment of our stewardship activities, and what we are doing to create long-term value for beneficiaries leading to sustainable benefits for the economy, the environment and society. The GMPF was one of only 23 asset owners that successfully became a signatory to the code.

Additionally, in November - The 2021 RAAI Leaders List: the 30 Most Responsible Asset Allocators in the world - have selected Greater Manchester Pension Fund as an RAAI Finalist and it will receive an award for being ranked 35th in the World of most responsible investors out of the World’s top 634 asset allocators from 98 countries with $36 trillion in assets. We scored an impressive 96 out of a potential 100 and we continue to strive to be a top leader in Stewardship.

Ethos Foundation and the members of the Ethos Engagement Pool International have been in dialogue with US tech companies since 2019 regarding tax responsibility and transparency on tax practices. The Ethos Foundation has USD 246 billion AUM and is composed of 235 Swiss pension funds and public utility foundations.

**GRI Tax Standard**

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. It was developed in response to investors concerns that current reporting on taxation and other financial matters was insufficient for understanding a company’s tax planning practices and assessing the risks associated with these practices. The GRI Tax Standard includes: public country-by-country reporting of business activities, including number of workers, payroll, related-party and third-party revenues, profit, and tax; and disclosures on tax strategy, governance and risk management that meet different stakeholder expectations of reporting.

Resolution: Tax Transparency

RESOLVED: Shareholders request that the Board of Directors issue a tax transparency report to shareholders, at reasonable expense and excluding confidential information, prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative’s (GRI) Tax Standard.

Supporting Statement

Profit shifting by corporations is estimated to cost the US government $70 - 100 billion annually. Globally, the OECD estimates it costs of $100 – 240 billion. The PRI, representing investors with $89 trillion AUM, argues that tax avoidance is key driver of global inequality.

With the COVID-19 pandemic resulting in large deficits for many governments, there has been increased government and community focus on whether corporations are paying a “fair share” of tax and contributing to societies where profits are earned. 90% of companies believe that the financial impacts of the pandemic may lead to more tax disputes, while 38% expect authorities to become more rigorous in tax examinations.

In October 2021, 136 countries agreed to a framework for global tax reform. In the US, increases in infrastructure and social spending are linked to tax reforms. The proposed Disclosure of Tax Havens and Offshoring Act will require public country-by-country reporting (CbCR) of financial (including tax) data by SEC-registered companies. In November 2021, the European Union approved a directive to implement a form of public CbCR for multinationals operating in the European Union with group revenue of over $860 million.

Currently, Amazon does not disclose revenues, profits or tax payments in non-US markets, challenging investors’ ability to evaluate the risks to our company of taxation reforms, or whether Amazon is engaged in responsible tax practices that ensure long term value creation for the company and the communities in which it operates. Amazon’s approach to taxation has been repeatedly challenged by tax authorities globally. In 2020, Amazon was singled out by President Biden as having paid no federal corporate income tax in the US.

The GRI Standards are the world’s most utilized reporting standard. The GRI Tax Standard was developed in response to investor concerns regarding the lack of corporate tax transparency and the impact of tax avoidance on governments’ ability to fund services and support sustainable development. It is the first comprehensive, global standard for public tax disclosure and requires public reporting of a company’s business activities, including revenues, profits and losses, and tax payments within each jurisdiction.
This proposal would bring our company’s disclosures in line with leading companies who already report using the Tax Standard. Our company already reports CbCR information to OECD tax authorities privately, so any increased reporting burden is negligible.