



AMAZON: SEC REJECTS COMPANY'S CHALLENGE TO TAX TRANSPARENCY RESOLUTION

In a landmark ruling, the SEC upheld a shareholder proposal at Amazon.com, Inc. calling on the company to publicly disclose global tax practices, payments and risks to investors.

In December 2021, Amazon submitted a no action request to the SEC, challenging the shareholder proposal filed by the OIP Trust and Greater Manchester Pension Fund with the support of PIRC. The shareholder proposal requests that the company disclose global tax practices by reporting in line with the new [Global Reporting Initiative \(GRI\) Tax Standard](#), including tax and other basic financial information on a country-by-country basis.

This is the only the second time that a shareholder proposal on tax has survived an SEC challenge. The decision reflects global regulatory momentum and changing investor expectations regarding tax transparency.

This proposal was filed as part of a new initiative launched in collaboration with the Centre for International Corporate Tax Accountability and Research (CICTAR). The initiative will facilitate active engagement with companies in sectors deemed high risk for aggressive tax avoidance, as well as sectors with significant exposure to government contracts and public funding. While Amazon is widely known for its consumer facing businesses, its profitability relies heavily on cloud computing, including through government contracts in countries around the world.

In response to the challenge, investors with \$3.6 trillion in assets under management wrote to the Chair of the SEC in March 2022 expressing support for the shareholder proposal filed at Amazon.com, Inc., and its request for greater tax transparency. AkademikerPension and the Ethos Foundation have pre-declared their intention to vote in favour of the shareholder proposal.

Why Amazon?

Currently, Amazon does not disclose revenues, profits or tax payments in non-US markets, challenging investors' ability to evaluate the risks 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 United Nations Principles for Responsible Investment's (UNPRI) 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.

Rev. Séamus P. Finn OMI, OIP Trust:

We welcome this historic ruling on increased tax transparency by the SEC and applaud the growing demand by investors for reliable material tax information. Far too many companies are continuing to shirk their responsibility to contribute their fair share to the promotion of the common good and the protection of the planet for future generations.

Katie Hepworth, Responsible Tax Lead at PIRC, said:

Amazon has again shown itself to be out of step with investor and regulator expectations on corporate tax practices.

Globally, there is growing government and investor momentum to reform the global taxation system so that it is fit-for-purpose and will ensure that companies fairly contribute to the revenue of the countries in which they operate and earn profit. These developments in global tax reform will increase risks for companies operating at the limits of the law. Investor understanding of a company's relative risk profile and appetite is hampered by a lack of transparency.

CIlr Cooney the Vice Chair of Greater Manchester Pension Fund said:

This is fantastic victory for stewardship and good governance. 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.

Anders Schelde, CIO of AkademikerPension, said:

AkademikerPension is pleased to support this resolution calling on Amazon to implement the GRI Tax Standard. As long-term investors, we have been engaging companies throughout our portfolio on their tax practices. Investors and other stakeholders increasingly expect leading companies committed to sustainable development and corporate responsibility to lead the way on corporate tax transparency by producing public country-by-country reports (PCbCR) on tax.

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.

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.

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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.

Greater Manchester Pension Fund was approved as a signatory to the Financial Reporting Council's UK Stewardship Code 2020 on the 6 September 2021, 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. Greater Manchester Pension Fund one of only 23 asset owners, which successfully became signatories to the code. Additionally, last month in November - The 2021 RAAI Leaders List: the 30 Most Responsible Asset Allocators in the world - have selected Greater Manchester Pension Fund as a 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.

AkademikerPension is a Danish Pension fund for Academics with 150.000 members and USD23 billion in AUM. Founded in 1960. The fund aims to deliver high returns to beneficiaries in a responsible manner. Signatory of the Principles for Responsible Investments (PRI) since 2009 and the UN Global Compact principles since 2018. Member of the UN-convened Net-Zero Asset Owner Alliance and an active participant in Climate Action 100+. In 2020 and 2021, AkademikerPension filed shareholder proposals regarding implementation of the GRI Tax Standard at 5 Danish companies.

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.