



Lustrum Edition

A comparative study of 77 Dutch listed companies

TRANSPARENCY BENCHMARK 2019



Tax Transparency Benchmark 2019

A comparative study of 77 Dutch listed companies

Authors:

Xander Urbach (VBDO) & Bob van der Made (PwC)

Input and support:

Angélique Laskewitz (VBDO), Eelco van der Enden, Bronte Klein,
Nicole Sjouwerman & Mark van Wijgerden (PwC)

For information:

Please contact: Dutch Association of Investors for Sustainable Development (VBDO),
Utrecht, The Netherlands

November 2019

This report has been made possible thanks to



This publication of VBDO's is protected by copyright laws. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including copying and/or publishing (parts of) this publication, without the prior written permission of VBDO. If you would like to ask VBDO for such permission, please write to: info@vbdo.nl.

Contents

Preface	6
Executive Summary	11
1. Introduction	17
2. Tax transparency: A first step towards regaining trust	21
3. Tax transparency demands are getting louder – and change is coming	25
4. Methodology	27
5. Results	31
6. Recommendations	47

Appendices

Appendix A Jury report 2019	51
Appendix B Benchmark methodology	54



Preface

We have a lustrum to celebrate! 2019 marks five years since VBDO published our first Tax Transparency Benchmark report. Today, we are proud to say that tax transparency is here to stay.



Angélique Laskewitz
Executive Director VBDO

We started our research in the wake of the important and far-reaching OECD Base Erosion and Profit Shifting (BEPS) project. I am therefore delighted that former OECD tax director Professor Jeffrey Owens has contributed to this lustrum report. We are expecting the publication of the GRI tax standard in December and with the new call from the OECD to tax companies where they add value to their business, more effective cross-border taxation has come one step closer. Let us hope that governments can finally agree on comprehensive legislation that is based on a global consensus. This will provide clarity and certainty to all parties involved, bring in national revenues where they are due, and end the race to the bottom in corporate taxation.

In 2019, many companies are still not in sync with their public images. After the financial crisis and revelations of shady tax hideouts, less than 40% of Dutch citizens find large corporations trustworthy¹. I wish to reiterate Paul Polman's point in the introduction, namely that taxation ensures society can function. When citizens feel that this burden is not shared equally, trust diminishes. Thus, 2019 marked a year of turmoil for Dutch companies regarding their taxation. Three large companies appeared before a parliamentary committee to explain their tax payments (or the lack thereof) to the Dutch Government. We see that public and political scrutiny of companies' financial moral is increasing. Companies with tax operations that are not aligned with their Environmental Social Governance (ESG) see themselves 'on the back foot' in the press and social media. For example, not paying tax in a country due to artificial structuring followed by (deductible) donations for charity in that same country leads to public scorn. Politicians will then have to respond. If they don't, citizens may feel that they lack the power to hold global corporations accountable and lose trust. If they do, it depends on the quality of the political response (laws and regulations) whether society is indeed served in the long term with a sustainable tax infrastructure. We all have a responsibility in the field of sustainable tax.

1 <https://www.cbs.nl/nl-nl/nieuws/2019/11/vertrouwen-in-europa-en-politiek-stijgt>

It is our conviction that transparency can fix this issue. This is why we have put so much effort into carrying out this research for five years now, and with success. We have seen company scores improving. In our first benchmark published in 2015, companies averaged 25% on our six Good Tax Governance Principles. In 2019, benchmarked against a more stringent methodology, companies average 43%. What's more, leading companies in our benchmark have never achieved such a high score before. The top 10 companies now achieve, on average, 76%. In 2015, the 10 best performing companies attained 54% on average. Some companies now also publish country-by-country reports that show where they pay taxes and where they add value to their company. The financial sector is leading in this regard, and we hope to see advancements in other sectors soon.

VBDO exists to make the capital markets more sustainable. We encourage our members and investors in particular, to take note of this study and we will continue to guide them in their engagement activities and investment decisions.

I am extremely grateful to Paul Polman, Professor Jeffrey Owens and Bastian Buck for their visionary, inspirational and powerful contributions to this lustrum report. I also wish to thank PwC Netherlands for their guidance and successful collaboration on this research. Last but not least, I would like to thank the participating companies for their valuable contributions.

I look forward to furthering the dialogue on tax transparency.

Angélique Laskewitz
Executive Director VBDO

Tax Transparency Benchmark 2019

Overall Ranking

Ranking	Company Name	Score 2019	Score 2018
1	NN Group	30	21
2	Wessanen	28	21
3-9	DSM	26	21
3-9	ING Group	26	20
3-9	KPN	26	20
3-9	Rabobank	26	19
3-9	RELX Group	26	19
3-9	Unilever	26	23
3-9	Vopak	26	20
10	a.s.r.	25	18
11-13	Aegon	24	23
11-13	AMG	24	23
11-13	Randstad	24	13
14-16	PostNL	23	17
14-16	Shell	23	17
14-16	Van Lanschot Kempen	23	22
17-19	Ahold Delhaize	22	18
17-19	Eurocommercial Properties	22	2
17-19	Heineken	22	17
20	VolkerWessels	21	4
21-25	ABN AMRO	20	16
21-25	Grandvision	20	17
21-25	Kendrion	20	16
21-25	Ordina	20	17
21-25	Vastned	20	20
26-28	Intertrust	19	2
26-28	Nedap	19	19
26-28	Signify	19	14
29-31	Arcadis	18	16
29-31	Fugro	18	16
29-31	BAM Group	18	15
32-37	Brunel	17	16
32-37	Flow Traders	17	15
32-37	ForFarmers	17	9
32-37	TKH Group	17	14
32-37	Unibail-Rodamco-Westfield	17	14
32-37	Wereldhave	17	16
38-42	Aperam	16	11
38-42	ASML	16	16
38-42	BinckBank	16	16
38-42	Heijmans	16	9

Tax Transparency Benchmark 2019 / Overall Ranking (cont'd)

Ranking	Company Name	Score 2019	Score 2018
38-42	Boskalis	16	13
43-46	Achmea	15	13
43-46	NIBC	15	-
43-46	Philips	15	13
43-46	Wolters Kluwer	15	15
47	Basic-Fit	14	4
48-49	Aalberts	13	12
48-49	Corbion	13	10
50-52	AkzoNobel	12	8
50-52	IMCD	12	14
50-52	TomTom	12	11
53	Takeaway.com	11	12
54-58	Air France-KLM	9	5
54-58	ArcelorMittal	9	8
54-58	ASM International	9	9
54-58	SBM Offshore	9	9
54-58	Sligro	9	9
59-60	Amsterdam Commodities	8	5
59-60	BE Semiconductor Industries	8	7
61-63	Adyen	7	-
61-63	B&S	7	-
61-63	KAS BANK	7	9
64-67	Altice	6	7
64-67	Lucas Bols	6	4
64-67	NSI	6	6
64-67	Pharming Group	6	3
68-70	Accell Group	5	5
68-70	Kiadis Pharma	5	4
68-70	Sif Holding	5	5
71-72	OCI	4	5
71-72	WDP	4	2
73	Fagron	3	1
74-76	Alfen	1	-
74-76	Galapagos	1	2
74-76	ICT Group	1	2
77	Accsys Technologies	0	-



Executive Summary

For the fifth consecutive year, we are proud to present the Tax Transparency Benchmark. Five years ago, this benchmark started as a joint project between Oikos and VBDO in response to the turmoil on account of the tax behaviour of several companies and the resulting negative impact on the reputation of these companies. The Tax Transparency Benchmark was born out of an attempt to create a common language on good tax governance and create more understanding between internationally operating companies, tax administrations, advisors and the public.

The first benchmark introduced a guideline on what we believe good tax governance ought to be, with six defining principles. Five years on, we still use these same principles in order to measure the tax transparent behaviour of companies. The aim of this benchmark is to enhance companies' understanding of corporate tax responsibility and encourage them to communicate comprehensively on tax matters in publicly available information. In this report, we present the results of the 2019 benchmarking exercise, in which 77 Dutch companies are ranked according to the level of tax transparency and good tax governance that they demonstrate.

NN Group is the highest scoring company in the Tax Transparency Benchmark 2019 and after consultation with an expert jury, it was chosen as the Winner of the Tax Transparency Award 2019. NN Group scored above average on all good tax governance principles. The company was able to demonstrate that it proactively seeks to act in a responsible and transparent way regarding its taxation. The jury complimented NN Group on its extensive tax strategy, which includes a Tax Control Framework containing a detailed description of how the implementation and execution of the tax strategy is monitored, as well as a description on why tax is an integral part of its business principles. NN Group also provided a risk analysis and key control objectives. Finally, NN Group published a total tax contribution report which features country-by-country data and further information on FTEs, total assets, result before tax and taxation. There were no controversies found by the jury regarding the tax behaviour of NN Group. In summary, NN Group transparently reports on all good tax principles as identified by VBDO and Oikos.

The overall jury verdict on this lustrum edition is that over these past five years, impressive results and progress have been achieved by companies with respect to providing improved transparency and information on such a complex and controversial topic as tax. At the same time, the jury wishes to emphasise that there remains considerable room for improvement, especially in the areas of country-by-country reporting and the provision of tax assurance. According to the jury, companies, auditors and legislators should pay particular attention to this conclusion.

We are delighted that the results of this year’s benchmark clearly show that today companies are more fiscally transparent than ever before in online and publicly available information. Since we started our research, the average transparency rating based on the total points obtained by companies on our six principles of good tax governance has increased from 25% in 2015 to 43% this year.

	2019	2018
Good Tax Governance Principles	Average % scored by companies per principle	Average % scored by companies per principle
A Define and communicate a clear strategy	53%	44%
B Tax must be aligned with the business and is not a profit centre by itself	52%	41%
C Respect the spirit of the law. Tax-compliant behaviour is the norm	34%	54%
D Know and manage tax risks	55%	37%
E Monitor and test tax controls	47%	31%
F Provide tax assurance	18%	15%
This number gives the average aggregated result of the six Good Tax Governance Principles	43%	39%

Figure 1: TTB2019 results per Good Tax Governance Principle

On the whole, this year we have seen an improvement in all companies (wherever they rank), which is encouraging news. The top 10 companies scored, on average, 76% on our six principles of good tax governance. This has increased from 61% since 2018. In addition, the number of companies scoring below 10 points declined from 31 in 2018 to 23 companies this year. It is also positive to see that 69% of the participating companies provided feedback to us on their initial assessment. Overall, in 2019 companies have a better understanding of what corporate tax responsibility is and communicate more comprehensively and publicly on tax matters.

Below we outline the most significant conclusions and recommendations for each of the six principles of good tax governance defined by VBDO and Oikos in 2014. The table shows the average score for each of the principles for 2019 compared with 2018. In 2018, we conducted an overhaul of the Tax Transparency Benchmark methodology; therefore, this year’s results are only comparable to those in last year’s benchmark.

A. Define and communicate a clear strategy

- 86% of the companies communicate their views on tax via a tax strategy or policy;
- Companies have improved on well how they disclose the alignment of the tax strategy with the organisational values (45%), with the business strategy (52%) and with the sustainability strategy (45%).

Never before have so many companies included in the benchmark communicated their views on tax by means of a tax policy or tax strategy. This is an indication of the growing importance of tax transparency to companies. However, there is room for further improvement in communicating that the tax strategy is aligned with the organisational values, the business strategy and the sustainability strategy, in order to show stakeholders that tax is not seen as an isolated business component. Moreover, it is still the case that only 43% of the companies explicitly state that the tax strategy is included in discussions with their stakeholders. We encourage companies to engage in this dialogue and also to provide evidence to stakeholders that the approach to tax is discussed and approved at board level, which is currently done by only 34% of the participating companies. Finally, we encourage companies to include their vision on tax technology.

B. Tax must be aligned with the business and is not a profit centre in itself

- 79% of the companies state that 'business is leading' the way in setting up international taxation structures and 65% communicate that they do not make use of tax havens;
- Only 9% provide full country-by-country information on where taxes are paid and where in the world value is created.

It is still the case that too few companies disclose country-by-country information on where taxes are paid and value is created. Yet, this provides very relevant information to stakeholders about a company's scale of activity and its approach to taxes and payments to governments across the tax jurisdictions in which it operates. More companies than last year stated that 'tax follows business' (79%) and that they do not make use of tax havens (65%).

It is promising to see that the number of companies that provide a narrative description accompanying their effective to statutory tax rate reconciliation has increased from 26% in 2018 to 62% this year. This is, therefore, fully in line with our explicit recommendation in last year's Tax Transparency Benchmark.

C. Respect the spirit of the law. Tax compliant behaviour is the norm

- 31% of the companies have a training programme in place for tax, legal and compliance officers on how to deal with tax (dilemmas);
- 14% have a whistleblower policy in place that explicitly refers to tax.

In 2018, we decided to change the way points were awarded with respect to the question regarding the whistleblower policy. Companies were informed in 2018 and the change came into effect for the 2019 benchmark. In 2018, merely having a whistleblower policy in place was sufficient. This year, the whistleblower policy needed to refer explicitly to tax in order for a company to score. This is why only 14% of the companies obtained a point for this question in 2019, whereas over 90% did in 2018. We recommend companies include a special paragraph relating to taxes in their whistleblower policies to ensure that employees and other stakeholders can report concerns about unethical or unlawful tax related behaviour and/or activities that compromise the company's integrity in relation to taxes.

Furthermore, to reassure stakeholders that the company's tax strategy is effectively embedded in the organisation, companies need to invest in and report on training programmes for their employees on how to deal with tax dilemmas.

D. Know and manage tax risks

- Companies scored highest on this principle this year;
- 81% of the companies report tax risks and 56% describe risks in detail.

This year's results show that the way companies deal with their risk management is improving. Companies did better on their disclosure in describing tax risks in detail and provided a description of their response to these risks. This provides stakeholders with a better understanding of the potential and actual risks involved and how these tax risks are managed within the organisation. We continue to recommend that companies elaborate more on tax risks, risk appetite and risk response in publicly available information.

E. Monitor and test tax controls

- More than half of the companies describe how tax risks and controls are tested and monitored;
- One third of the companies describe how the implementation and execution of the tax strategy is monitored.

We are pleased to see that more companies compared to last year describe how tax risks and controls are tested and monitored. However, there is still room for improvement as 70% of the companies still do not describe how the implementation and execution of the tax strategy is monitored. Having a process in place to monitor the implementation and execution of the tax strategy helps the organisation with the actual and timely implementation thereof.

F. Provide tax assurance

- Four companies provide a tax in-control statement;
- Only one company provides third-party tax assurance.

In the area of tax assurance, companies still have quite a long way to go. Only four companies included in this benchmark provided a tax in-control statement and only one company provided third-party tax assurance to stakeholders. Communicating on the external review of your tax function gives stakeholder more confidence. This could mean increased board involvement (tax in-control statement), implementing checks and balances with the tax authorities (co-operative compliance) or supervision by a third party (third party tax assurance). All these forms will provide additional assurance to stakeholders about the tax function. While more companies have additional financial data assured, non-financial tax data remains unaudited by most.



Photo by Mónica Suárez Galindo – UNDP Peru

1. Introduction

The world is facing multiple crises – including climate change, inequality, slowing economic growth, and decaying infrastructure – none of which can be addressed without well-resourced governments and responsible corporate behaviour.



Paul Polman
Chairman of the
International Chamber
of Commerce and
The B Team, Founder of
IMAGINE, Former CEO of
Unilever

Unfortunately, with the current lack of global governance and cooperation, we seem to have embarked on a race to the bottom when it comes to corporate tax. The current proposals for reforming global taxation simply don't go far enough.

In this environment, multinationals must increasingly be compelled to do their part. Taking action is ultimately in their own interest. After all, many of the government services, provided they are run well, directly influence the success of the private sector. From providing adequate schooling and health care to infrastructure.

Being a good citizen and having a licence to operate requires responsible tax policies at corporate level. Recent OECD analysis indicates that corporate income tax remains a significant source of tax revenues for governments across the globe. In 2016, corporate tax revenues accounted for 13.3% of total tax revenues

on average across the 88 jurisdictions for which data is available. This figure has increased from 12% in 2000.

Corporate taxation is even more important in developing countries, comprising on average 15.3% of all tax revenues in Africa and 15.4% in Latin America and the Caribbean, compared to 9% in the 34 OECD member countries.

There is a clear trend of falling statutory corporate tax rates – the headline rate faced by companies – in OECD countries over the last two decades. The average combined (central and sub-central government) statutory tax rate fell from 28.6% in 2000 to 21.4% in 2018. More than 60% of the 94 jurisdictions for which tax rate data is available in the database had statutory tax rates greater than or equal to 30% in 2000, compared to less than 20% of jurisdictions in 2018. This is particularly concerning given that most countries saw sharp increases in fiscal deficits during this time and the expected economic growth has not been delivered.

As if this race to the bottom is not enough, corporations themselves have also embarked on more aggressive tax practices under the pressure to deliver increasing shareholder returns. In fact, in many corporate cultures, actively avoiding paying a fair share of tax is sadly seen as good practice.

Multinationals can all too easily relocate their headquarters and production to whatever jurisdiction levies the lowest taxes. And, in some cases, they need not even move their business activities, because they can merely alter how they “book” their income on paper. It is estimated that the global loss to governments from profit shifting by multinational companies is upwards of \$500bn per year. Developing countries are hit hardest when the loss is considered as a percentage of gross domestic product.

It is further estimated that \$21-32 trillion dollars of private wealth is held offshore. Assuming that the profit on this wealth is undeclared, and taking a very conservative return on capital of 3%, it can be estimated that governments are losing upwards of \$189 billion a year via hidden offshore wealth.

The Sustainable Development Goals (SDGs), signed by 193 countries at the UN in September 2015, set out the global agenda until 2030. In short, the overarching vision is to not leave anybody behind, strive for more equitable and sustainable growth and for people and the planet to live in harmony now and for generations to come. Most of us fortunately buy into that vision. Not only is it totally achievable, it is, dare I say, desirable for businesses as well. However, many countries do not generate enough revenue from taxation to fund necessary services to support society, nor to pay for the implementation of SDG 1 to 17. SDG 10 presents the importance of the contribution of taxation to the sustainable development of society. The UN adopted a specific target (10.4), which reads: “Reducing inequality within and among countries – SDG 10 – can only be achieved by adopting policies, especially fiscal, wage and social protection policies...”

The implementation of the SDGs rests on the efforts of all stakeholders in society and currently we are falling far short. Reversing climate change is the most urgent goal. Whilst we can all do our bit, individually and collectively, we cannot implement these goals if we fail on taxation.

It is vital to not only pay our fair share but also to transparently communicate about tax payments made to governments all over the world, so that stakeholders can hold companies accountable for their actions and reward them for their responsible conduct. Tax transparency is an integral part of corporate social responsibility.

This is why initiatives such as this Tax Transparency Benchmark are important. Responsible businesses create value for the communities surrounding them. By being transparent on where a company adds value and what payments it makes to governments, the revenue streams that contribute to an equal world can become visible for everyone to see. Reputations can also be strengthened and risks reduced.

In my capacity as founder of the new foundation IMAGINE, I focus my time on accelerating the implementation of the SDGs, especially when it comes to climate change and inequality. To succeed, the world not only need new forms of partnership but above all, more responsible corporate behaviour. I hope this report and ongoing benchmarking contributes to that. After all, transparency and accountability will drive the trust that is currently so badly lacking. Without trust, it will be difficult to create prosperity and ultimately a better world for all.



2. Tax transparency: A first step towards regaining trust

We live in an age of transparency. Governments have unprecedented access to information. Big data is now a reality. Companies such as Google, Alibaba, Facebook and Amazon have amassed data on an unprecedented scale, which enables them to profile their customers, and gain in-depth knowledge about the work, leisure and spending habits of those customers.



Jeffrey Owens

Director of the WU Global Tax Policy Center at the Institute for Austrian and International Tax Law, WU (Vienna University of Economics and Business)

Citizens in turn are demanding greater transparency from governments and businesses. They want to know what data is held on them and how this information is used. From a taxation perspective, there is a growing demand to know “who is paying what”. Tax administrations are not immune to these trends.

The tax “relationships” of the past typically involved taxpayers interacting with tax authorities in relation to their tax affairs, behind closed doors, with public awareness of those affairs typically limited to disclosures in annual accounts or resulting from litigation. In the 21st century, businesses’ (and indeed wealthy individuals’) tax payments have become the subject of public debate. This impacts not only a company’s relationships with tax authorities but also its public profile, its relationships with consumers and employees, its brand reputation and, potentially, its earnings per share.

Tax transparency has many meanings but three broad concepts can be considered. First, transparency can refer to the transparency of the tax affairs of a particular taxpayer vis-à-vis the tax authorities. This type of transparency has traditionally involved respecting the confidentiality of the information, and data is not made publicly available. A second type of transparency involves the public disclosure of the taxes paid by companies. A third form of transparency and disclosure requirements focuses on governments themselves. Governments must be more prepared to disclose their risk assessments and audit criteria, more willing to engage with taxpayers on a regular basis and more open in their tax policy formulation process.

The 21st century has seen multinational corporations (MNCs) become truly global in their operations. MNCs have international supply chains with partly-completed goods and services flowing across borders before the final goods and services are sold, leased or licensed to end consumers. Over the last 20 years, the number of MNCs has doubled and the number of foreign affiliates quadrupled. Today, 42 of the largest countries/organisational entities in the world are MNCs and up to two-thirds of cross-border transactions take place between related parties of the company. The rise of the digital economy, with instantaneous global communications and financial flows, means that the number and types of intra-group transactions have increased exponentially. The digital revolution has made it possible for businesses to interact commercially with consumers in different countries, while maintaining a more limited physical presence than was the case in the pre-digital era. These factors also influence the public debate on taxation.

The increased importance of MNCs has led to a growing call for increased levels of transparency, particularly for transparency from the largest companies and those operating a business model that focuses on digital delivery. MNCs must now expect that wherever they carry out their business, including in off-shore jurisdictions, the tax authorities of their home country will have access to the information relating to these activities. Country-by-Country (CbC) reporting has become a reality and the OECD Base Erosion and Profit Shifting (BEPS) 13 initiative has introduced “Master” and “Local” transfer pricing files which will set new global standards by which MNCs will be expected to abide, both in developed and developing countries.

Specifically, the BEPS CbC reporting is intended as a high-level risk assessment tool which requires reporting of aggregated information by country, although it will include a list of all group entities by country together with the business activity codes for their major activities. The financial data required on the BEPS 13 template includes revenue, earnings before tax, cash tax, current tax, stated capital and accumulated earnings, employee head count, and tangible assets.

As it is a new tool, there is a strong need for implementation that ensures consistency in the approaches by governments and timeliness in the provision of information to governments, as well as balancing the costs of collecting the information against the insights the information provides on the global operation of MNCs.

Many organisations have called for this type of data to be made public, particularly NGOs but also some of the more far-sighted MNCs. The G7, G20 and most governments have resisted this call and decided that, at least initially, this information should only be provided to tax administrations.

However, in today's new transparent environment, it is questionable whether this outcome is sustainable in the long run or even desirable given that more transparency is the first step towards restoring public trust in MNCs. This is one of the key issues for the OECD's review in 2020.

This greater transparency between tax payer and tax authority is a good thing as it will lead to fewer disputes, greater mutual understanding and a relationship based on trust.

Much of the debate over whether MNCs pay their "fair share of tax" has focused on their effective tax rates (ETR). Yet the tax profile of a company is far more dynamic than just its ETR. Published ETRs only include corporate income taxes, which are often a small fraction of the total taxes companies are responsible for collecting and remitting. Furthermore, businesses argue that the debate needs to encompass not just the taxes that are paid by companies, but also their economic and social contributions to the countries and communities in which they operate.

This increased public focus on tax issues is taking place against the background of the continued impact of the 2007/2008 global financial and economic crisis. Some governments continue to run deficits and unprecedented government debt levels. Many governments continue to cut public spending. Citizens are naturally concerned that the burden of tax should be fairly shared. All of which has led to the rise of populism with citizens being artificially divided into two homogenous groups: the "pure" people and the "corrupt" elites. These trends have had a significant influence on national (and hence global) tax policies.

This public debate on the activities of MNCs has also been influenced by two related developments, which have kept tax planning in the spotlight. First, there has been growing awareness in many resource-rich developing countries that the taxes paid by MNCs have in part been appropriated by politicians and other intermediaries for their private and political purposes. This awareness has led to the development of the Extractive Industries Transparency Initiative (EITI), which involves MNCs being more transparent by making public disclosures of their operations in these countries, including their payments to the various arms of government. These disclosures enhance the probity and governance of countries in which the MNC operates. The concept of MNCs disclosing more details of their taxes and the government charges paid has also been picked up in the broader tax fairness debate. Secondly, the huge volume of disclosures in recent years of tax evasion by private wealthy individuals using opaque entities, including the use of low tax countries and tax secrecy jurisdictions, has increased the focus on the use of these countries by MNCs and "high net-worth individuals" (HNWI).

This raised public consciousness has led to a greater public debate, including reviews by governments and inquiries by parliaments in numerous countries. The focus on perceived tax fairness, or lack of fairness, by politicians and commentators was heightened by a recognition that MNCs paying low taxes due to planning were probably acting in accordance with the letter (although perhaps not the spirit) of the tax law.

Public confidence in the “fairness” of a tax system is critical if countries are to receive the vast majority of their revenues by means of voluntary compliance. Modern tax systems only work if 90% of tax payers, for 90% of the time, voluntarily comply. The current global debate around whether MNCs are paying their “fair share of tax” and the international tax technical and policy issues of base erosion and profit shifting may initially undermine that confidence, but in the long run it could lead to a more transparent approach which could help restore trust in the tax system.

The tax transparency debate has many facets and many players with different timelines. In some cases, it is very difficult to predict what will be the final outcome. But one thing is clear: there will be no turning back to the days when tax was an issue discussed between tax technicians behind closed doors. Given that tax is the centre of any democratic market-based economy, this change should be welcomed. What governments and businesses now need to aim for is that the public debate be based upon hard facts not fictions, and that this debate leads to a globally consistent set of reporting requirements which transcends sectors, countries and groups of countries. Such a global standard would minimise compliance costs and ensure a level playing field for all companies and sectors. The OECD is the best placed organisation to lead this work, but it will need constructive engagement by businesses and developing countries.

3. Tax transparency demands are getting louder – and change is coming

GRI is the independent organisation providing the global common language for organisations to disclose their sustainability impacts – across topics as diverse as human rights, climate change and governance. From pioneering beginnings more than 20 years ago, we now offer the world's most widely used sustainability reporting framework: the GRI Standards.



Bastian Buck
Chief of Standards, Global Reporting Initiative (GRI)

One of our latest developments involves creating the first public, global reporting standard for tax. Accessing comparable and comprehensive information on the taxes companies pay is hugely difficult. That's why there have been growing calls – from investors, governments, civil society, the media and the public – for greater tax transparency.

So, why is tax a sustainability issue? Taxes are a major way in which businesses contribute to the economies and countries where they operate, demonstrating accountability in the eyes of their stakeholders. Corporate taxes directly impact on governments' ability to fund public services and support sustainable development. Therefore, transparency on tax is highly relevant from a sustainability standpoint.

It was against this backdrop that the Global Sustainability Standards Board (GSSB), who oversee the development of the GRI Standards, appointed a multi-stakeholder technical committee of experts in 2017 to draft a new Standard. The aim was to combine reporting on tax strategy management with country-by-country disclosures – which will inform the public debate around corporate taxes and contribute to policy and investment decisions.

The draft Standard developed by this technical committee – including representatives from business, labour, investors, mediating institutions and civil society – underwent a public comment period in early 2019. The outcome of this process underlined the widespread urgency and demand for a global Tax Standard, particularly from major investors. More than half of the responding organisations were investment companies, who collectively manage assets in excess of 2.5 trillion US dollars.

Just two years on from being first proposed by the GSSB, we are on the verge of publishing the new Standard, to be known as 'GRI 207: Tax', by the end of 2019. From then on, it will be freely available for any organisation to use to disclose tax practices in a transparent way that adheres to global best practice.

GRI 207 will give insight into a company's approaches - including their tax strategy, the mechanisms governing their tax compliance, intentions and commitments, as well as the alignment between the taxes paid and the scale of their activities in each jurisdiction where they operate.

Once available, it will provide the only independently developed and globally applicable public tax reporting standard. Adhering to our Tax Standard will ensure responsible businesses respond to the needs of stakeholders, demonstrate their commitment to the communities where they operate and highlight their role to support global sustainable development.

For more on the GRI Tax Standard, visit www.bit.ly/TaxDisclosure

4. Methodology

The Tax Transparency Benchmark is based on the guiding good tax governance principles designed by VBDO and Oikos². Each principle is further separated into various elements and converted into measurable criteria. These measurable criteria are then tested against publicly available information.

In 2018, we reviewed and thoroughly overhauled the Tax Transparency Benchmark's methodology to better reflect the latest status, trends and developments on tax transparency from the perspective of (tax) laws, regulations and societal expectations. This resulted in an adjustment of some of the criteria and the addition of new criteria. Questions that were added include those on aligning tax with business and sustainability strategies, organisational values, and (tax) technology. To give companies time to adapt, some of these criteria were applied less strictly in the 2018 benchmark. This year, however, companies were encouraged to implement the more stringent criteria in full, in order to reflect how they adapt to the changing environment and how they improve the quality of their reporting on a continuous basis. This has meant that the same answer may have scored a point in 2018 but not in 2019. For example, last year it was sufficient to have a generic whistleblower policy in place (Q18), whereas, in 2019, in order to obtain a point, companies had to communicate explicitly to stakeholders that tax is part of their whistleblower policy. In this way, we are striving for continuous improvements in tax transparency.

In addition, in comparison to last year's benchmark, more focus was put on the implementation and execution of the various criteria. This means that we looked not only at the statements made by the companies but also at the presence of a detailed description or narrative on how the criteria were implemented.

To encourage companies to contribute to the ongoing debate about good tax governance and tax transparency, companies were evaluated on their current practices and were able to provide feedback on their assessed score.

Quick facts

77 companies

30 criteria worth 35 points in total

69% feedback response rate

² VBDO & Oikos (2014), Good Tax Governance in Transition, Transcending the tax debate to CSR.

Scope

The 2019 benchmark included 77 companies. The full list can be found in the overall ranking section on pages 8 – 9. The scope of the benchmark included companies listed in The Netherlands (AEX, AMX and AScX) and a selection of their non-listed peers³. The list of companies differs from the 2018 benchmark due to the fact that some companies entered or left the AEX, AMX or AScX in 2019.

Criteria

The guiding principles of good tax governance designed by VBDO and Oikos help to create a common language on what good tax governance looks like. The six principles of good tax governance are as follows:

- A. Define and communicate a clear tax strategy;
- B. Tax must be aligned with the business and is not a profit centre by itself;
- C. Respect the spirit of the law. Tax-compliant behaviour is the norm;
- D. Know and manage tax risks;
- E. Monitor and test tax controls;
- F. Provide tax assurance.

Each principle is separated into various elements and converted into measurable criteria. For example, the first principle – Define and communicate a clear strategy – consists of the elements ‘communication’ and ‘strategy’.

Appendix B provides a comprehensive list of the criteria used in this benchmark. The standard maximum amount of points awarded for each criterion is one point. However, for the questions on country-by-country reporting, monitoring the implementation and execution of the tax strategy, and tax assurance, either a partial point or a maximum of two points were allocated.

Approach

In order to be able to test all the criteria of the Tax Transparency Benchmark, the companies’ annual reports were reviewed together with other relevant and publicly available and online documents (e.g. the tax strategy, the sustainability report, a transparency report, governance documents, strategy documents and so on). For each company in the benchmark, the scores were aggregated and subsequently returned to them to allow them to provide feedback.

³ We would like to note that two of the participating companies are non-listed (financials) and part of VBDO’s network. These companies are Achmea and Rabobank.

Where applicable, the feedback from the companies was incorporated in the results. To make the results as measurable and comparable as possible, a strict definition of the criteria was used.

As in previous years, following the results of our study a top 10 of best performing companies was selected. In order to be able to reach an independent verdict on the Tax Transparency Benchmark, an expert jury was appointed by VBDO to weigh the results, assess the validity of the results and determine a winner. See Appendix A for the jury report.

Jury

Appointed by VBDO, the expert jury consisted of five honourable members acting in a personal capacity. All of them are experts in the fields of good tax governance and tax transparency but they come from different backgrounds:

- Hans Gribnau, Professor of Tax Law at Tilburg University and Leiden University;
- Victor van Kommer, Director of Tax Services at the International Bureau of Fiscal Documentation (IBFD) and Professor of Tax Policy at Utrecht University;
- Michiel van Esch, Active Ownership Specialist at Robeco;
- Irene Burgers, Professor of Economics of Taxation and Professor of International Tax Law at Groningen University; and
- Klaas Bangma, Economic Policy Advisor, FNV (Netherlands Trade Union Confederation).



5. Results

The Tax Transparency Benchmark aims to enhance corporate good tax governance. In addition to encouraging companies to improve the transparency of their tax approach and tax function, the benchmark also aims to offer inspiration on how to communicate comprehensively on tax in publicly available and online documentation.

As described in the methodology section, points can only be obtained if the information provided for is publicly available. Scoring is based on an assessment over reporting year 2018. Each company was offered the opportunity to provide feedback on the initial review. We are pleased to report that 69% of the companies made use of this opportunity. We have found that companies that provide feedback tend to also rank higher on the benchmark. This would imply that these companies are more active and inclined to improve the degree of transparency with regard to their tax approach, which we find very encouraging.

This year's results show that companies are more tax transparent than ever before. As a group, the highest scoring companies increased their performance the most and appear to be eager to improve further on tax transparency and governance. The overall percentage of total points scored by the top 10 companies in 2018 was 61%, whereas in 2019 this figure increased to 76%. This year's results also show that the laggards on the list have become more transparent. The number of companies that scored below the minimum amount (0-10 points) decreased this year. What is more, overall transparency ratings on our six principles of good tax governance increased from 39% to 43% this year. We continue to see this upward movement as a positive trend. There still remains a lot of ground to be covered, as the average score is still well below 50%; however, overall, there has been a great deal of improvement, which is very encouraging.

As mentioned, the number of companies that scored below minimum has fallen this year, from 41% in 2018 to 30% in 2019. Out of these lower scoring companies, 13% are AEX-listed, 33% are AMX-listed and 53% are AScX-listed. Of the companies scoring above minimum, 42% are AEX-listed, 32% are AMX-listed, 23% are AScX-listed and 4% are non-listed.

Results per company

The distinguished members of the independent Tax Transparency Benchmark expert jury deliberated on the top 10 companies that scored highest in the Tax Transparency Benchmark 2019.

Winner

The jury selected the winner from among the group of nominees (NN Group, Wessanen, DSM, ING Group, KPN, Rabobank, RELX, Unilever, Vopak, a.s.r.) based on the following criteria:

- Total points scored and analysis performed by VBDO;
- Depth of the tax strategy;
- Sector of operation and the presence of a mandatory legal framework;
- Absence of known tax and tax transparency related controversies; and
- The clarity of the implementation and execution of tax strategies.

The decision was unanimous and the jury congratulates **NN Group** on winning the 2019 Tax Transparency Award.

NN Group is the top-scoring company in the 2019 Tax Transparency Benchmark. It scored above average on all principles. The company was able to demonstrate that it proactively seeks to act in a responsible and transparent way regarding its taxation. NN Group has embarked on a clear and very extensive tax strategy that resulted in a high-score of 30 points. In comparison, NN Group scored 21 points in 2018. The Group's tax charter includes a Tax Control Framework containing a detailed description of how the implementation and execution of the tax strategy is monitored. It also includes a description on why tax is an integral part of NN Group's business principles. In addition, NN Group provided a risk analysis and key control objectives to stakeholders. Finally, NN Group also published a total tax contribution report, which features country-by-country data and further information on FTEs, total assets, profit before tax and taxation. There were no controversies found by the jury regarding the tax behaviour of NN Group. In summary, NN Group shows it transparently reports on all good tax principles as identified by VBDO and Oikos.

Appendix A provides an overview of the jury's considerations on the results of the Tax Transparency Benchmark 2019.

Main findings of the Tax Transparency Benchmark 2019

This section provides a quantitative and qualitative explanation of the outcomes of the 2019 Tax Transparency Benchmark. The benchmark methodology changed in 2018; therefore from now on we will only compare scores from 2018 onwards. During this year's evaluation, our interpretation of a (limited) number of questions changed, as highlighted in the following section starting on the next page. The following pages cover the overall and most significant results of our benchmark study.

	2019	2018
Good Tax Governance Principles	Average % scored by companies per principle	Average % scored by companies per principle
A Define and communicate a clear strategy	53%	44%
B Tax must be aligned with the business and is not a profit centre by itself	52%	41%
C Respect the spirit of the law. Tax-compliant behaviour is the norm	34%	54%
D Know and manage tax risks	55%	37%
E Monitor and test tax controls	47%	31%
F Provide tax assurance	18%	15%
This number gives the average aggregated result of the six Good Tax Governance Principles	43%	39%

Figure 1: TTB2019 results per Good Tax Governance Principle

- 86% of the companies communicated their views on tax;
- 70% of the companies explicitly mentioned that tax is part of their corporate social responsibility;
- 79% of the companies stated that business operations are leading, thus declaring that they pay taxes where economic activity occurs;
- 9% of the companies disclosed information on corporate income tax payments, profit before income tax, accumulated earnings and FTEs on a country-by-country basis;
- 31% of the companies stated they have training programmes on how to deal with tax issues and dilemmas;
- 81% of the companies described one or more tax risks;
- 32% described how the implementation and execution of the tax strategy is monitored;
- Companies scored highest on Principle D: Know and manage tax risks;
- Companies scored lowest on Principle F: Provide tax assurance.

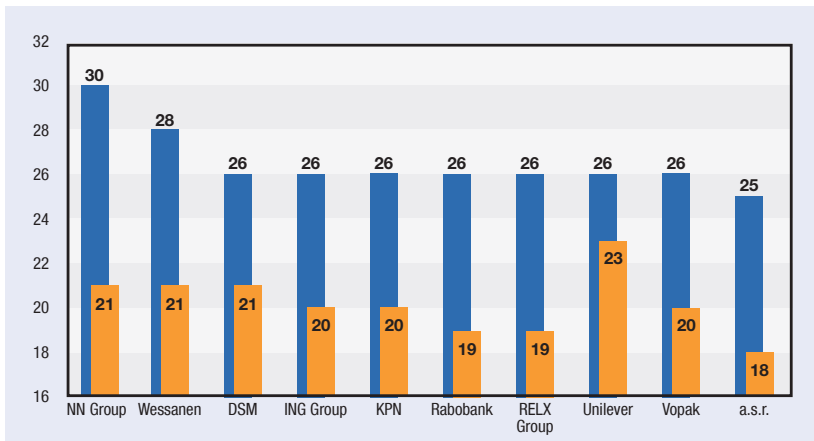


Figure 2: Top 10 companies comparison between rankings in 2019 and 2018

Result per principle

A. Define and communicate a clear tax strategy

An appropriate tax strategy is assessable and clearly communicated (transparent). It contains the company’s vision and objectives regarding taxation. It is aligned with the organisational values, the business strategy and the sustainability strategy. It takes stakeholders’ interests into consideration, explains the company’s view on its relationship with the tax authorities and describes its vision and the role of technology.

Top scorers

a.s.r., DSM, Fugro, Grandvision, NN Group, RELX Group, Van Lanschot Kempen and Vopak
 – Scored 9 out of 9 points

Results

- 86% of the companies communicated their views on tax via a tax strategy or policy;
- 81% described their vision of the company’s relationship with the Dutch or other tax authorities;
- Companies have improved on how well they disclose the alignment of the tax strategy with the organisational values (45%), the business strategy (52%) and the sustainability strategy (45%);

- 34% of companies explicitly communicated to stakeholders that the tax strategy had been signed off by the executive board;
- 43% of companies confirmed that they had discussed the tax strategy with stakeholders;
- More companies disclosed their vision on tax technology (up to 23%).

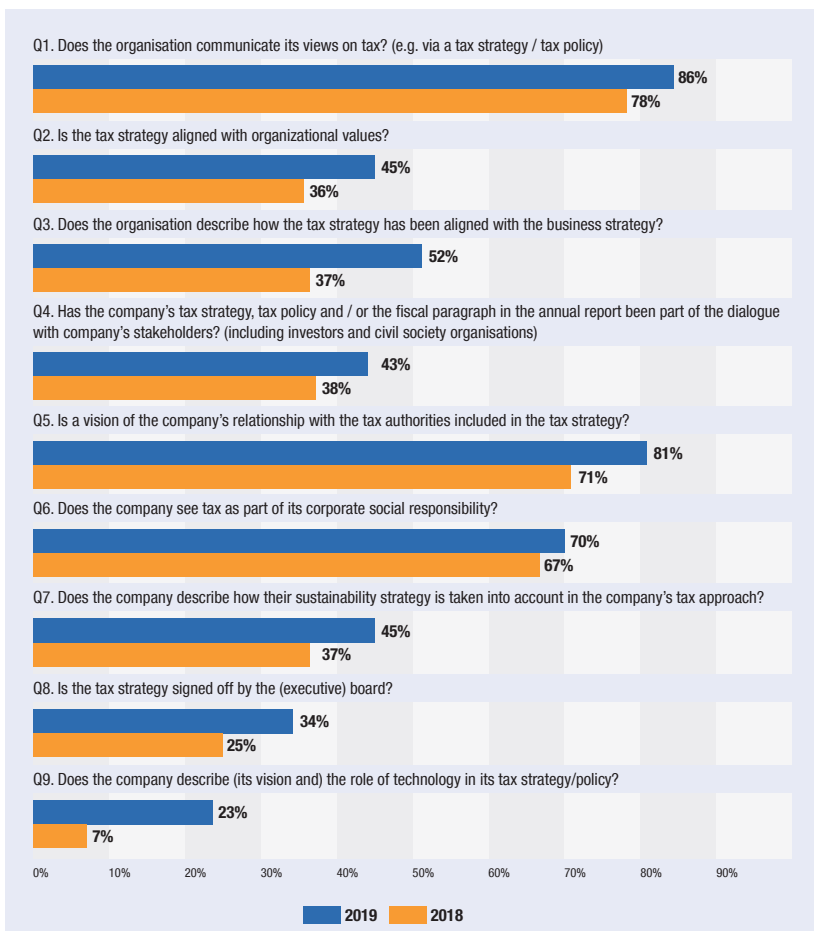


Figure 3: Scores on Principle A

For Principle A, we see that most companies communicate their views on tax. We are very proud to report that in all the five years that we have conducted this research, there have never been so many companies that communicated their views on tax either in a tax strategy or a tax policy. 86% of the 77 companies included in this benchmark study now do so. This is an indication of the growing importance of tax transparency to many companies. We consider it important for companies to communicate that their tax strategy derives from the company's core principles and that the tax strategy is aligned with the organisational values, the business strategy and the sustainability strategy. Disclosing this explicitly demonstrates to the company's stakeholders that the culture of the company is also firmly embedded in its approach to tax.

We are also encouraged to see that most companies now communicate much more clearly and openly on their relationship with the tax authorities, that they see tax as a part of their corporate social responsibility, and that they do not see tax as an isolated business component but, rather, as an integral part of the company. At the same time, we see that many companies still do not explicitly communicate that the tax strategy has been approved by the board of the company. Disclosing this type of information, would provide evidence and certainty to stakeholders that the tax strategy really reflects the 'tone at the top' of the company. A positive development is that 23% of the companies now disclose their vision on tax technology, which is a significant increase relative to the 7% of last year.

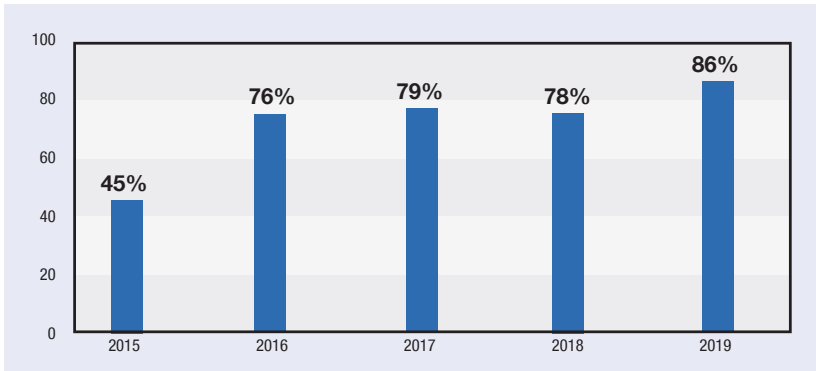


Figure 4: Q1. Does the company communicate its views on tax by means of a tax strategy or policy? Results presented for 2015 – 2019

B. Tax must be aligned with the business and is not a profit centre in itself

Tax should not be seen as an isolated business component but as an integral part of the company and as part of the broader business. As such, tax should not be in the exclusive domain of the tax department. In principle, a company should declare profits and pay taxes where it conducts business activities and should be transparent on how this is done.

Top scorers

a.s.r. and KPN – Scored 8 out of 8 points

Results

- 79% of the companies stated that 'business is leading' when setting up international taxation structures and 65% communicated that they do not make use of tax havens;
- 94% of the companies disclosed the reconciliation between the effective and statutory tax rate. What is particularly encouraging is that 62% also provided a narrative description to explain the difference between the two rates;
- Although still way too few, more companies – 29% – at least partially provided country-by-country information on where taxes are paid and where in the world value is created.



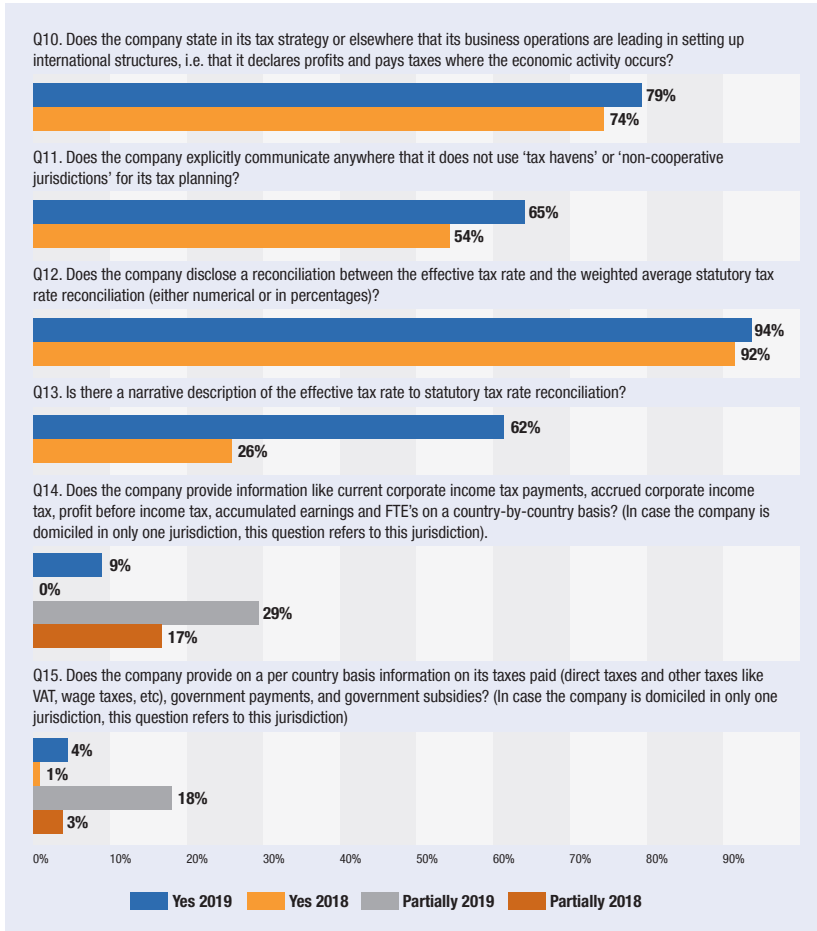


Figure 5: Scores on Principle B

More than half of the companies, 62%, still do not disclose information on corporate income tax, accumulated earnings, assets and FTEs for the jurisdictions they operate in. Companies in the financial sector continue to score above average on the country-by-country reporting related questions, presumably due to greater scrutiny and the fact they have had a legal obligation to report in this way since 2013.

We welcome the fact that 79% of the companies communicated that tax follows business and that taxes are paid where the economic activity occurs. In addition, more than half of the companies – 64% – explicitly communicated that they do not use ‘tax havens’ or ‘non-cooperative jurisdictions’ for their tax planning.

However, it would appear that companies rather tell stakeholders that tax follows business (79%) and that they do not make use of tax havens (65%), than show them the evidence that this is actually the case.

In the 2018 Tax Transparency Benchmark report, we highlighted the importance of providing a narrative description of the difference between the effective and statutory tax rate. Since disclosing an effective to statutory tax rate reconciliation is an accounting requirement, almost all companies now do so by providing this information in a reconciliation table. While in 2018, only 26% of the companies also provided a detailed narrative description to this reconciliation table, in 2019, this figure rose to 62%. This is a very important increase.

C. Respect the spirit of the law. Tax compliant behaviour is the norm

A company should aim to comply with the letter as well as the spirit of the law. It entails that the intention of the legislator is also a guiding principle for the company to ensure tax-compliant behaviour. By definition, the spirit of the law cannot be described unambiguously. It requires discussions with internal stakeholders, including tax, legal, compliance and CSR officers, as well as external stakeholders such as investors, government officials, tax authorities and civil society organisations. Being compliant with tax laws and regulations, statutory financial obligations and international accounting standards is the core responsibility of the tax function.

Top scorers

Eurocommercial Properties, NN Group,
Randstad, Shell, Unilever and Vopak
– Scored 3 out of 3

Results

- 57% of the companies explicitly stated their tax planning strategy takes the spirit of the law into account;
- 31% of the companies stated they have a training programme for tax, legal and compliance officers in place on how to deal with tax issues and dilemmas;
- 14% stated that they have a whistleblower policy in place that refers explicitly to tax.



Figure 6: Scores on Principle C

In 2018, companies scored highest on this principle, achieving 54% of the total points available, compared to 34% in 2019. This apparent drop requires an explanation.

As part of corporate social responsibility, it is becoming increasingly important for companies to report that they also take the intention of applicable laws into account. Almost half of the companies communicated that they do. Compared to last year, more companies (30% altogether) disclosed that they have training programmes for tax, legal and compliance officers in place that deal with tax dilemmas. Communicating this information to stakeholders provides certainty that relevant individuals are adequately trained to address tax risks. A training programme is essential for ensuring that the company’s tax strategy is effectively embedded in the organisation and that employees are actively supported to deal with tax in an ever-changing tax landscape.

With regard to companies having a whistleblower policy in place, we announced in the 2018 Tax Transparency Benchmark that we would be looking for an explicit reference to tax in the 2019 edition of this benchmark. Last year, 92% of the companies reported that they had a whistleblower policy in place. This year the results show that 14% of the companies have a whistleblower policy in place specifically with regard to tax. We believe it is important for companies to communicate to internal and external stakeholders that there are grievance procedures in place to deal with tax issues and we encourage companies to pass this information on in their tax policy/strategy as well. To ensure that the core responsibility of the tax function to be compliant with tax laws and regulations is being met by a company, there needs to be a mechanism in place for employees and stakeholders to report concerns about unethical or unlawful behaviour and/or activities that are able to compromise the company’s integrity.

A whistleblower policy encourages an employee or stakeholder to safely report and escalate such concerns.

D. Know and manage tax risks

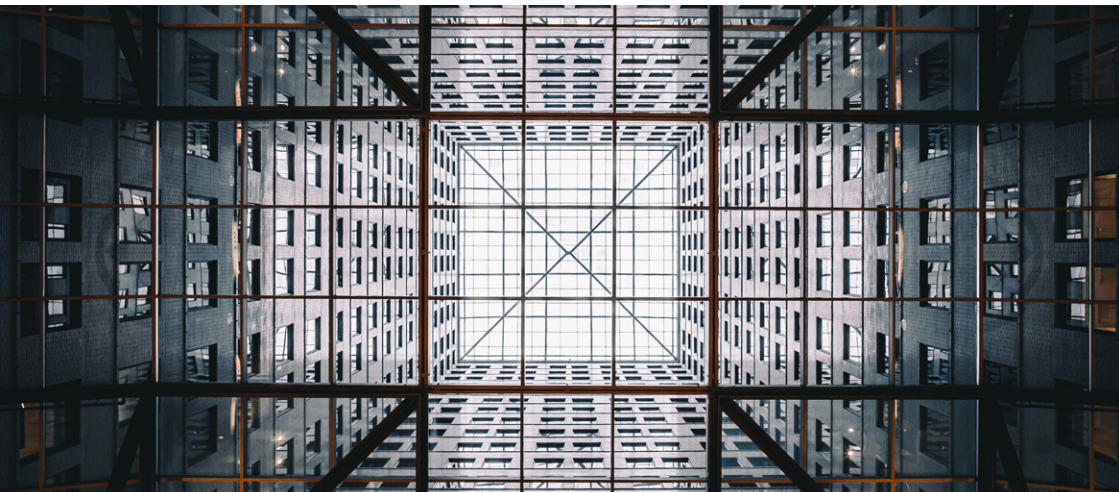
Tax risk management is a proactive process that is demonstrably embedded within the risk management and internal control function of the company.

Top scorers

AMG, Eurocommercial Properties, ING Group,
NN Group, Rabobank and Wessanen
– Scored 6 out of 6 points

Results

- Companies scored highest on this principle;
- 52% described their tax risk appetite;
- 81% of the companies reported any tax risks and 56% described risks in detail;
- 71% gave a commentary on the company's response to these risks;
- Almost half of the companies provided their vision on rulings with tax authorities;
- 21% described the role for tax relevant data management.



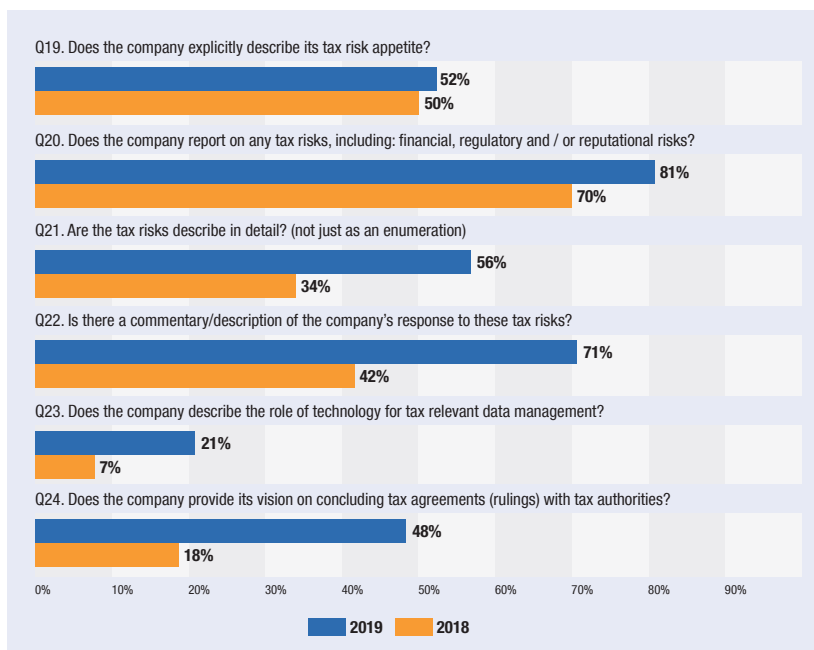


Figure 7: Scores on Principle D

We are very happy to report the substantial improvement companies have made in their reporting on tax risk management. In 2019, companies achieved 55% of the total points available, compared to 37% in 2018. While almost half of the companies refrain from reporting their tax risk appetite explicitly, more than 80% do report their tax risks. 56% of the companies describe these risks in detail and more than 70% provide stakeholders with information on how they intend to respond to the risks. Companies that report on their tax risks, appetite and risk response, generally provide stakeholders with a better understanding of the potential and actual risks involved and a clear understanding of how these risks are managed within the organisation. It is therefore promising to see that more and more companies regard tax risks to be material information for stakeholders.

In addition, more companies have provided their vision on concluding tax agreements (rulings) with governments – 48% in 2019 compared to 18% in 2018. We added this question in 2018 to encourage companies to respond to the increased interest in society in this issue. We see that many companies now share our vision to be open and transparent about concluding tax rulings.

In 2018, we added two tax technology questions to the Tax Transparency Benchmark methodology. Only 21% of the companies report on the role of tax technology for tax relevant data management. While the number has increased from only 7% in 2018, there is room for further improvement. It is, of course, crucial that tax relevant data is correct and complete. Organisations need to have technology in place to manage all this data, from gathering, storing, modelling and blending, to visualising and reporting. This is especially important as the amount of tax relevant data that has to be managed is increasing rapidly, partly due to various tax transparency initiatives such as country-by-country reporting and DAC6. We believe that companies benefit from such tax technology solutions, especially when they disclose relevant data to stakeholders. Country-by-country reporting will also benefit from these solutions. Therefore, it is important for stakeholders to have an understanding of how the company intends to use technology.

E. Monitor and test tax controls

It is important that a company has a standardised approach to monitoring and testing controls. This allows for the monitoring of the proper execution of its tax strategy on the one hand and substantiating that the organisation is in control of tax matters, on the other.

Due to the increased public scrutiny and intensified debate on tax in recent years, the interest of the board room in tax risk management has grown markedly. Identifying by means of monitoring and testing activities, reporting and managing tax risks are now considered part of properly embedding tax risk management in the organisation.

Top scorers

Ahold Delhaize, AMG, DSM, Flow Traders, Fugro, Heineken, VolkerWessels, NN Group, PostNL, Rabobank, RELX, Shell, Unilever, Vastned, Vopak and Wessanen
 – Scored 4 out of 4 points

Results

- More than half of the companies described how tax risks and controls are tested and monitored
- One third of the companies described how the implementation and execution of the tax strategy is monitored
- 55% of the companies disclosed that tax risk management is reported to the audit committee.

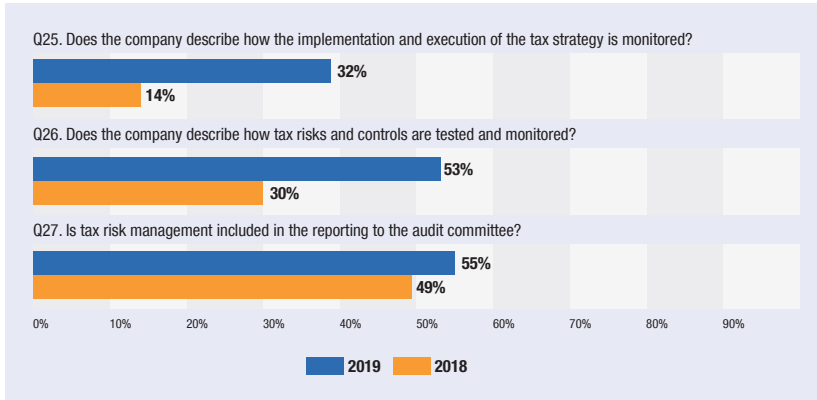


Figure 8: Scores on Principle E

Since 2018, we have awarded more points to those companies who ‘show’ stakeholders what they do with regard to the implementation of their tax strategy, rather than simply ‘tell’ stakeholders that certain processes are in place. We are very pleased to report that in 2019 almost one-third of the companies communicate to stakeholders how the implementation and execution of the tax strategy is monitored. It is important that stakeholders understand that the tax strategy is not merely words on paper, but that it is actually implemented, executed and embedded in the organisation. Having an adequate process in place to monitor the implementation and execution of the tax strategy helps a company with the actual and timely implementation of the tax strategy. We have observed that the majority of companies in our study still have trouble describing how the tax strategy is actually implemented and executed. In comparison to 2018, however, more companies disclosed to stakeholders how tax risks and controls are tested and monitored and stated that this is also reported to the audit committee. 55% of the companies detailed certain tax control processes that are in place and stated that these processes are monitored by relevant departments and reported to the audit committee. By being transparent about these elements of the tax strategy, a company gives its stakeholders certainty that the company’s tax control is dealt with by a designated internal authority.

F. Provide tax assurance

Companies should be prepared to provide additional tax information to regulators, tax authorities and other stakeholders to provide for a certain level of assurance regarding tax data and processes. This tax assurance should be based on the implementation and outcome of the five aforementioned principles. One way to create more certainty is through a tax in-control statement. The company provides their own tax in-control statement in which it declares to what

extent the processes and operations worked and were in control. In addition, assurance can also be provided by a third party. Third party tax assurance gives stakeholders certainty about the performance of the tax processes.

Top scorers

Wessanen – Scored 5 out of 5 points

Results

- Wessanen, Intertrust, Kendrion and Signify all provided a tax in-control statement;
- 48% of the companies participated in a co-operative compliance programme;
- Wessanen provided third-party tax assurance.

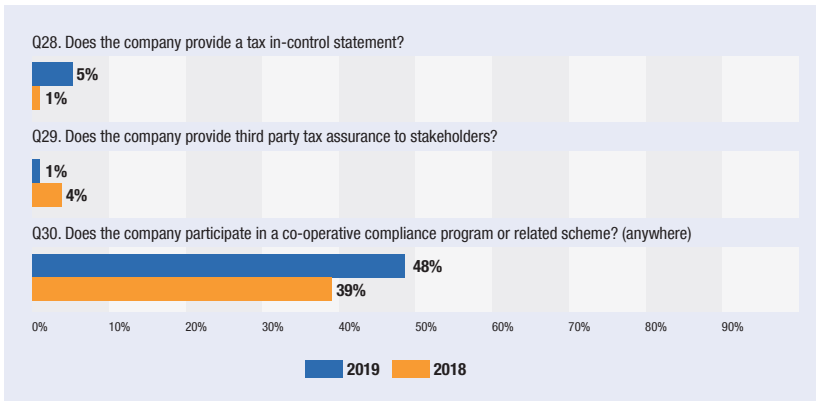
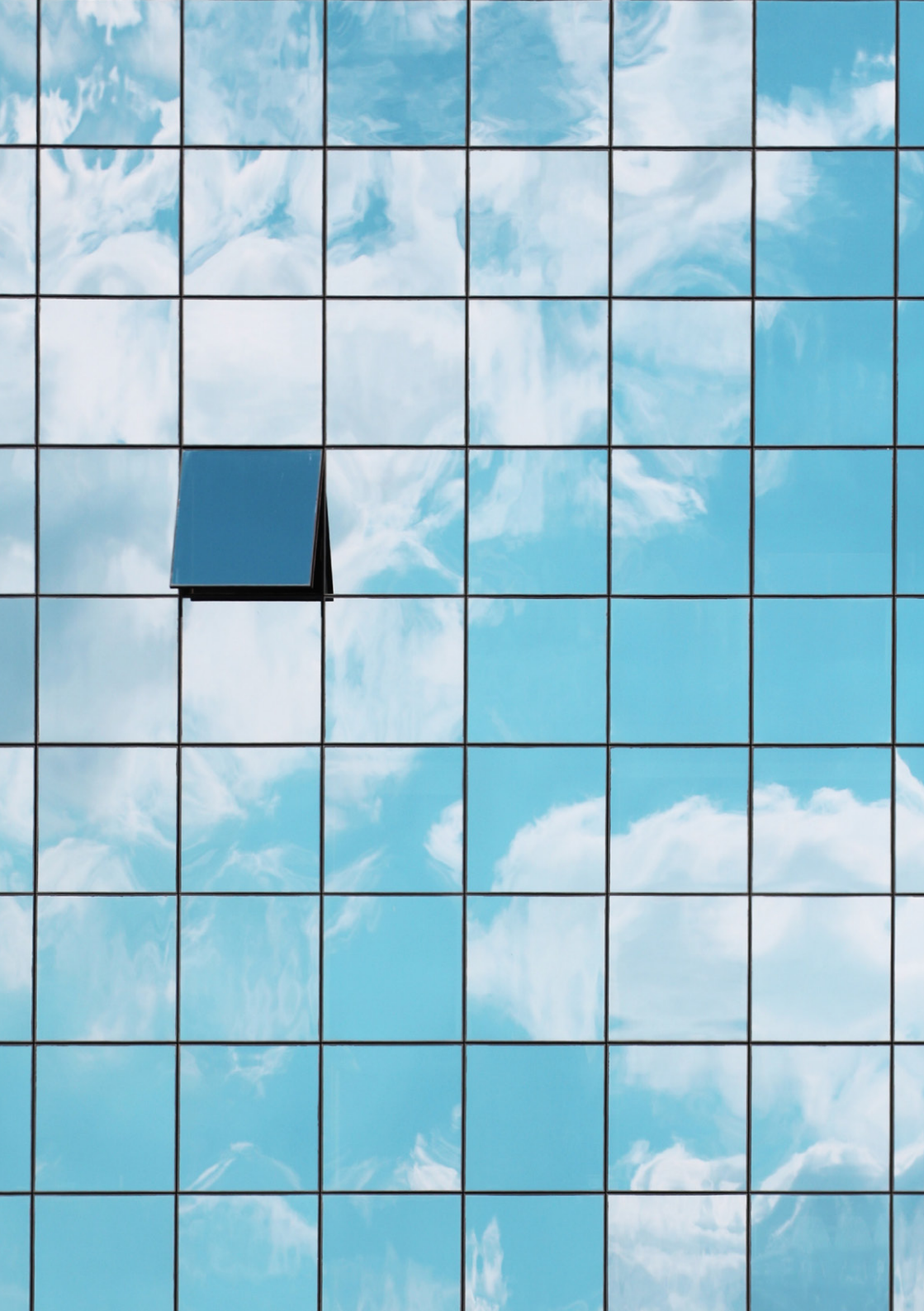


Figure 9: Scores on Principle F

Most companies still refrain from providing tax assurance to stakeholders. Although praise is due to the four companies that at least provide an internal tax in-control statement, that document is usually unaudited by an independent third party. From our analysis, it appears that companies are increasingly providing additional assurance outside of the core financial statements, including country-by-country information and regional tax positions. This is an encouraging development which merits mentioning here. Having said this, it is of course not enough to provide assurance on the financial information regarding tax. It is equally important that the non-financial elements of the tax strategy are audited as well. It is unfortunate in our view that this principle of good tax governance remains underdeveloped in 2019.



6. Recommendations

The results of this year's benchmark show that, overall, companies have once again demonstrated progress on tax transparency. However, there still remains room for further improvement in several areas. Based on the results of the Tax Transparency Benchmark 2019 and the expert jury meeting, bespoke recommendations for further improvement for selected stakeholders are outlined below.

To companies

- Ensure you keep abreast of all relevant developments regarding the transparent reporting of tax and continue to adapt your policies and practice to align with these new standards;
- Stay engaged or start engaging in an active dialogue with internal and external stakeholders to further develop your tax communication approach and help rebuild trust in taxation;
- Provide further narrative about tax processes to move from a “show me” stance to a “tell me” one.
- Continue to elaborate on the tax risk management process, and include a description of the company's tax risks, risk appetite and risk response in public information;
- Provide country-by-country reporting data and seek to improve the quality and the remit of this data.
- Implement and continuously improve a monitoring system for the implementation and execution of your tax strategy;
- Consider providing assurance, ideally an in-control statement and third-party tax assurance, on your tax strategy. An in-control statement should also be provided by your Internal Audit Department (or the department responsible for governance);
- Implement the tax strategy on paper, do not use this Tax Transparency Benchmark to merely ‘tick boxes’.

To lawmakers, regulators and tax authorities

- Proper legislation underpins enhanced tax transparency. Assist companies to develop a clear strategic vision on tax transparency and governance, by passing appropriate laws and strict good tax governance standards that apply to all companies;
- Actively promote the use of internationally accepted standards to provide multinational companies with comparable or common governance, reporting and audit standards to work with across borders;
- Ensure clear guidance on rules and regulations for cooperative compliance programmes and stimulate voluntary compliance;

- Increase the transparency of compliance management strategies and tax accountability and help rebuild trust in taxation.

To NGOs

- Engage in open and constructive dialogue with companies and focus on encouraging them to change. Differentiate in how you approach high and low performers on tax transparency and good tax governance;
- Share best practices with companies on what you consider responsible and transparent corporate tax behaviour;
- Do not only focus your efforts on multinationals and tax advisers but also on tax administrations and investors;
- Enter into structured dialogue with governments to promote transparency.

To tax advisory firms

- Ensure employees have the proper tax technical, tax governance and digital tax expertise;
- See tax in a broader societal context, i.e. not only from a legal or financial perspective;
- Promote responsible tax behaviour and support companies' tax transparency initiatives;
- Dare to have a robust dialogue on this topic with all stakeholders;
- Introduce and apply an internal code of conduct for tax advice;
- Ensure each tax adviser is familiar with the client's sustainability and business strategy.

To investors

- Design and implement a tax code of conduct that applies to:
 - your own organisation;
 - how you structure your investments;
 - your investments;
 - the parties you collaborate with;
- Integrate tax in the valuation of investee companies by including it in investment and ESG policies;
- Be transparent on the tax strategy of your own organisation and what you expect from investments and the parties you collaborate with;
- Enter into a dialogue with portfolio companies on responsible and transparent tax behaviour;
- Not only test investments at the moment of investment, but also monitor adherence to your criteria or expectations during the lifecycle of the investment;
- Support initiatives to develop common standards for tax reporting to enhance (global) comparability.

To universities

- Introduce a modernised curriculum for tax-related courses in order to meet the market's demand for skilled tax professionals who can drive forward tax transparency;
- Introduce relevant tax topics in economics, business management and mathematics courses, and in the social and political sciences;
- Better communicate with society. i.e. in less technical language.



Appendices

Appendix A

Jury report 2019

Jury Members

Appointed by VBDO, the jury consisted of five distinguished members acting in a personal capacity, who are all experts in the field of good tax governance and come from various backgrounds:

- Hans Gribnau, Professor of Tax Law at Tilburg University and Leiden University;
- Victor van Kommer, Director of Tax Services at the International Bureau of Fiscal Documentation (IBFD) and Professor of Tax Policy at Utrecht University;
- Michiel van Esch, Active Ownership Specialist at Robeco;
- Irene Burgers, Professor of Economics of Taxation and Professor of International Tax Law at Groningen University; and
- Klaas Bangma, Economic Policy Advisor, FNV (Netherlands Trade Union Confederation).

Nominees

The jury discussed the process and execution of the benchmark as a whole. In addition, the data pertaining to the top 10 performing companies (NN Group, Wessanen, DSM, ING Group, KPN, Rabobank, RELX, Unilever, Vopak, a.s.r.) was analysed. The winner of the Tax Transparency Award 2019 was selected from this group of nominees.

Winner

The jury selected the winner based on the following criteria:

- Total points scored and analysis performed by VBDO;
- Depth of the tax strategy;
- Sector of operation and the presence of a mandatory legal framework;
- Absence of known tax and tax transparency related controversies; and
- The clarity of the implementation and execution of tax strategies.

The decision was unanimous and the jury would like to congratulate **NN Group** for winning the 2019 Tax Transparency Award.

NN Group is the top-scoring company in the 2019 Tax Transparency Benchmark. It scored above average on all principles. The company was able to demonstrate that it proactively seeks to act in a responsible and transparent way regarding its taxation. NN Group has embarked on a clear and very extensive tax strategy that resulted in a high-score of 30 points. In comparison, NN Group scored 21 points in 2018. The Group's tax charter includes a Tax Control Framework containing a detailed description of how the implementation and execution of the tax strategy is monitored. It also includes a description on why tax is an integral part of NN Group's business principles. In addition, NN Group provided a risk analysis and key control objectives to stakeholders. Finally, NN Group also published a total tax contribution report, which features country-by-country data and further information on FTEs, total assets, profit before tax and taxation. There were no controversies found by the jury regarding the tax behaviour of NN Group. In summary, NN Group shows it transparently reports on all good tax principles as identified by VBDO and Oikos.

Good practices

It wasn't only NN Group's tax policy that received praise from the jury members; during the jury meeting several good practices from other companies were discussed. The jury complimented **Aegon**, **DSM** and **Wessanen** on their tax strategies and for providing a narrative and demonstrating that tax is an integrated part of their corporate purpose and values. **Aegon's** tax policy was also praised for including proper tax incentives in the company's Key Performance Indicators (KPIs). **Eurocommercial Properties** is commended for being the highest improver in this year's benchmark. The jury also complimented **Adyen**, a first-timer in the Tax Transparency Benchmark, for its extensive country-by-country reporting. In the views of the jury, **Rabobank** also sets a great example by providing country-by-country information to its stakeholders. In addition, **Unilever** sets a good example with its clear description of its internal implementation, execution and monitoring of the tax strategy which outlines roles and responsibilities of the people involved and by means of a scorecard.

Recommendations for next year

The overall jury verdict on this lustrum edition is that in the last five years, impressive progress has been made by companies in providing enhanced transparency and additional information on such a complex and controversial topic as tax. At the same time, the jury wishes to emphasise that there remains room for improvement, especially regarding the areas of country-by-country reporting and providing tax assurance.

The jury makes the following suggestions relating to the Tax Transparency Benchmark's methodology:

- Adjustment of Q12 and Q13 in order to ask companies how they calculate the ETR;
- Adjustment of Q25 and Q26 based on the good practice of Unilever, asking companies to be more explicit with regard to communicating the implementation of their tax strategy and to communicate roles and responsibilities of departments;
- Adjustment of Q20, Q21 and Q22 in order to include some evaluation as to whether a tax risk is really a risk. Companies should consider performing an impact analysis for tax risk evaluation, which includes the likelihood of occurrence and financial consequences of risks;
- Adjustment of Q24 on tax rulings in order to ask companies to be transparent about the implementation of their ruling strategy and be more specific on the topic of rulings;
- Based on Aegon's good practice, include a question on tax incentives and the role that tax plays in KPI or performance reviews within companies.

Appendix B

Benchmark methodology

This appendix contains a comprehensive list of all indicators and their respective scores. Company assessments are based solely on publicly available information.

A	Companies should define and communicate a clear strategy on tax governance	point
1	Does the organisation communicate its views on tax? (e.g. via a tax strategy / tax policy)	1
2	Is the tax strategy aligned with organisational values?	1
3	Does the organisation describe how the tax strategy has been aligned with the business strategy?	1
4	Has the company's tax strategy, tax policy and / or the fiscal paragraph in the annual report been part of the dialogue with company's stakeholders? (including investors and civil society organisations)?	1
5	Is a vision of the company's relationship with the tax authorities included in the tax strategy?	1
6	Does the company see tax as part of its corporate social responsibility?	1
7	Does the company describe how their sustainability strategy is taken into account in the company's tax approach?	1
8	Is the tax strategy signed off by the (executive) board?	1
9	Does the company describe (its vision and) the role of technology in its tax strategy/ policy?	1
B	Tax must be aligned with the business and it is not a profit centre by itself	
10.	Does the company state that its business operations are leading in setting up international structures, i.e. that it declares profits and pays taxes where the economic activity occurs?	1
11.	Does the company explicitly communicate that it does not use 'tax havens' or 'non-cooperative jurisdictions' for its tax planning?	1
12.	Does the company disclose a reconciliation between the effective tax rate and the weighted average statutory tax rate reconciliation (either numerical or in percentages)?	1
13.	Is there a narrative description of the effective tax rate to statutory tax rate reconciliation?	1

- | | | |
|--|--|---|
| 14. | Does the company provide information like current corporate income tax payments, accrued corporate income tax, profit before income tax, accumulated earnings and FTE's on a country-by-country basis? (In case the company is domiciled in only one jurisdiction, this question refers to this jurisdiction). | 2 |
| 15. | Does the company provide on a per country basis information on its taxes paid (direct taxes and other taxes like VAT, wage taxes, etc), government payments, and government subsidies? (In case the company is domiciled in only one jurisdiction, this question refers to this jurisdiction). | 2 |
|
 | | |
| C Respect the spirit of the law. Tax compliant behaviour is the norm | | |
| 16. | Does the company explicitly communicate that its tax planning strategy takes the spirit of the law into account? | 1 |
| 17. | Does the company mention that it has a training program in place on how to deal with tax (dilemmas) for its tax, legal and compliance officers? | 1 |
| 18. | Does the company have a whistle-blower policy in place with regard to tax? | 1 |
|
 | | |
| D Know and manage tax risks | | |
| 19. | Does the company explicitly describe its tax risk appetite? | 1 |
| 20. | Does the company report on any tax risks, including: financial, regulatory and / or reputational risks? | 1 |
| 21. | Are the tax risks describe in detail? (not just as an enumeration) | 1 |
| 22. | Is there a commentary/description of the company's response to these tax risks? | 1 |
| 23. | Does the company provide its vision on concluding tax agreements (rulings) with tax authorities? | 1 |
| 24. | Does the company describe the role of technology for tax relevant data management? | 1 |
|
 | | |
| E Monitor and test tax controls | | |
| 25. | Does the company describe how the implementation and execution of the tax strategy is monitored? | 2 |
| 26. | Does the company describe how tax risks and controls are tested and monitored? | 1 |
| 27. | Is tax risk management included in the reporting to the audit committee? | 1 |
|
 | | |
| F Provide tax assurance | | |
| 28. | Does the company provide a tax in-control statement? | 2 |
| 29. | Does the company provide third party tax assurance to stakeholders? | 2 |
| 30. | Does the company participate in a co-operative compliance program or related | 1 |



VBDO (Dutch Association of Investors for Sustainable Development)

www.vbdo.nl

Pieterstraat 11, 3512 JT Utrecht, The Netherlands

T +31 (0) 30 234 00 31, info@vbdo.nl