Tax: An Investor Guide

Colofon

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About VBDO

VBDO stands for Vereniging van Beleggers voor Duurzame Ontwikkeling, which translates as the Dutch Association of Investors for Sustainable Development. VBDO was established in 1995 to help create a more sustainable capital market. With this goal in mind, VBDO undertakes benchmarking exercises, organises seminars and conferences, and engages with companies and financial institutions. VBDO has been actively engaging with the boards of directors of publicly listed companies in the Netherlands for 29 years. We attend annual general meetings (AGMs) to ask constructive, critical questions to encourage companies to improve their sustainability policies and practices. VBDO is funded by our members: almost 80 institutional investors and more than 350 private investors.

Dutch Association of Investors
for Sustainable Development

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1. Introduction: an updated *Tax Investor Guide*

In 2017, VBDO wrote a guide on tax for investors with the goal of encouraging investors to implement good tax governance in internal operations and in investments, because we saw that the focus on environmental, social, and governance (ESG) factors in responsible investment had expanded beyond traditional areas like climate change and labour standards. Over the last few years, the tax landscape has significantly evolved.

Not only more regulation on tax and tax transparency, but also changes in attitude towards taxation have been part of these developments. This is reflected in investor engagement on fiscal matters. Shareholder proposals focusing on tax transparency have become more frequent, reflecting the growing interest among investors about corporate tax practices. For example, in 2023, major U.S. multinational companies like ExxonMobil, Chevron, and ConocoPhillips faced resolutions urging them to align with the Global Reporting Initiative (GRI) by adopting comprehensive public country-by-country reporting (CbCR).[1] Moreover, a tax transparency resolution at Amazon in 2022 received 21% support and a similar resolution at Microsoft in 2023 received 27%.[2] These are substantial increases compared to earlier resolutions at major corporations like Google, where similar proposals achieved only 1% support in 2014.[3] Filing these proposals is possible nowadays through the increased use of proxy voting to promote tax transparency.[4]

We are happy to see these positive developments, but at the same time we see that tax remains a challenging topic for many investors. Changes in tax regulation and growing demands for transparency and good tax practices create both challenges and opportunities for investors, both of which we will highlight in this guide. Furthermore, we seek to update investors on changes related to responsible tax and demonstrate how good tax governance contributes to responsible investment. Lastly, this year we're publishing the tenth edition of VBDO's Tax Transparency Benchmark – a good moment to revisit this guide.

To illustrate the relevance of tax for investors, the second chapter of the guide will go into the link between tax and ESG and the risks of not considering tax as an ESG factor. In the third chapter, we will discuss the recent regulatory developments in the tax landscape and the role of tax in new sustainability regulations. The fourth chapter provides guidance on how to develop a tax framework within internal operations, setting out the elements a responsible tax framework should include. All this information can be used to integrate tax in the responsible investment (RI) strategy. Chapter five elaborates on how to approach tax in investment decisions and which instruments investors can use to promote responsible tax practices and tax transparency.

To provide a clearer picture of how to apply all of this as an investor, we talked to Astrid Durgaram from ABP on how they as a pension fund approach tax. Sebastien Akbik from Principles for Responsible Investment (PRI) shared valuable insights on how investors can mitigate tax risks and promote tax responsibility through engagement. We want to thank both for their valuable contributions to this guide.

We hope this guide will inform and inspire you, so that together we can contribute to an ongoing positive trend in responsible tax and tax transparency.

2. Why tax matters for investors

Tax has historically often been viewed as only a financial and compliance issue. However, tax is more than just a cost factor, and this is also true for investors. A company's approach to tax reflects its governance standards, societal impact, and long-term financial stability. As such, it is recommended for investors to acknowledge and consider this when evaluating potential risks and opportunities. This chapter will discuss why tax matters for investors, by exploring the link between tax and ESG and the different types of risks tax practices can pose to businesses and their stakeholders.

2.1 TAX AS AN ESG FACTOR

Tax is typically seen as part of the 'governance' aspect of ESG, but it also plays a role in the social and environmental dimensions. A company's tax behaviour is an indication of its overall corporate responsibility. Responsible tax practices reflected by tax payments as a contribution to society can fund infrastructure development, a good education system, and good quality healthcare. These in turn can lead to a healthy economy and a better investment climate which enables growing prosperity.[5]

From an environmental perspective, environmental taxes or tax incentives for sustainable practices can contribute to the reduction of environmental harm and stimulate innovation in the sustainability area such as decarbonisation. Environmental taxes, such as carbon taxes or pollution taxes, are increasingly used by governments as a tool to incentivise companies to reduce their environmental footprint.[6] For investors, a company's preparedness or response to these taxes can be an important indication of the level of responsibility the company feels towards tackling important societal issues such as climate change and environmental degradation, and show how serious the company is about its long-term sustainability. Companies that do not consider the impact of environmental taxes risk increased costs, financial penalties, and reduced competitiveness. On the other hand, companies that do consider these taxes could benefit from tax incentives and positive ESG ratings. Moreover, they take responsibility for important societal issues such as climate change and environmental degradation.

From a social perspective, tax can be seen as a contribution to society and is linked with reward and employment conditions. Moreover, wage taxes and incentives can contribute to societal wellbeing by using them as tools to decrease income inequality and promote social inclusion. For a social and governance perspective, companies can increase public trust by demonstrating good governance through taking responsibility for their tax behaviour and being transparent about the tax that they pay. Initiatives like The B Team Principles and OECD Guidelines for Multinational Enterprises guide businesses on how to approach tax in a responsible way. In chapter 4 we will elaborate on these guidelines. Initiatives such as GRI 207: Tax standard and the OECD's Base Erosion and Profit Shifting (BEPS) project have also increased the pressure on companies to report on their tax practices. Investors can use this information to assess companies on how they manage tax risks, pay their fair share, and approach tax across the jurisdictions in which they operate. This assessment can then be used in their investment decisions.

2.2 TAX-RELATED RISKS FOR INVESTORS

The three main tax-related risks are reputational, financial, and regulatory risks. Each of these risks can have significant consequences for companies, for instance by influencing the valuation of companies and potentially affecting stakeholder trust.

Reputational risks

When a company's tax practices are perceived as aggressive by stakeholders, this can pose a reputational risk for the company as well as for investors of the company. Companies that engage in tax avoidance or

Box 1 - **Recent tax controversies and the reputational consequences**

Apple has faced several tax-related controversies, particularly because of unfair tax benefits in Ireland. This has not only led to public but also regulatory scrutiny, with the European Court of Justice ordering Apple to repay €13 billion back to Ireland.[10]

UBS was involved in major tax controversies, aiding clients in the US, France, and Germany in hiding undeclared funds. The legal proceedings and significant fines have drawn a lot of media attention, public criticism, and a decrease in trust among clients and stakeholders.[11]

Lyca Mobile was fined €10 million in October 2023 for money laundering and VAT fraud in France. The former CEO received a prison sentence and a fine for complicity in the fraud. The scandal raised concerns about the company's financial integrity and ethical practices, damaging the brand's reputation.[12]

aggressive tax planning can suffer reputational damage through, for instance, a decline in customer loyalty, and public outrage in the media.[7] Such scandals harm the company's brand, which can lead to financial losses, creating a risk for investors as well. Moreover, investors also risk reputational damage themselves if they continue investing in companies that are under scrutiny for unethical tax practices.[8]

For example, multinational companies that shift profits to low-tax jurisdictions to minimise their tax liabilities may face a backlash from the public, particularly if they operate in regions that are struggling with underfunded public services.[9] Investors must, therefore, assess whether a company's tax practices align with its public commitments to social responsibility and sustainability, as failing to do so can result in significant reputational risks.

Financial risks

There are multiple tax-related financial risks. On a systemic level, investors with highly diversified and long-term portfolios depend on the overall long-term health of the economy rather than the short-term performance of individual companies. When a company avoids paying its fair share of taxes, the tax burden is shifted to other taxpayers, creating an uneven playing field for businesses. Furthermore, taxes are essential for funding critical public services, which also contribute to the stability of markets, thereby benefiting investors.

At the level of the individual company, it is risky to invest in businesses that are heavily reliant on artificial tax planning for profitability. We will later highlight the regulatory risks related to this, but such strategies also often take up resources that are then not used to build genuine competitive advantages that provide more stability in returns, such as superior products or operational efficiency.[7]

Another key financial risk is the impact of environmental taxes. Companies with high carbon emissions or poor sustainability records may face rising costs from carbon or other environmental taxes. If they fail to mitigate their environmental impact, they may not only face higher tax liabilities but could also be disadvantaged compared to their more sustainable competitors, which in turn could affect profits.[6]

In addition to environmental taxes, the risk of windfall taxes can have a major financial impact on certain industries. Windfall taxes are typically imposed when companies make unexpectedly large profits due to external factors, such as fluctuations in commodity prices. These taxes can drastically reduce the profitability of affected companies, creating significant risks for investors. A recent example of windfall taxes is when, in 2022, several European countries imposed windfall taxes on energy companies that benefited from rising oil and gas prices, significantly impacting their financial performance.[13]

Regulatory risks

Changes in regulation and enhanced enforcement can have an impact on the location and organisational structure of a company. Companies that are unable or unwilling to adjust to new regulations could face increased costs of compliance, legal disputes, and even restrictions on market access which make them less attractive to invest in.[7]

Over the last few years, many new tax laws and reporting requirements have been introduced. As a consequence, regulatory risk has become an increasingly important factor to take into account. We mentioned the BEPS project, but other examples to combat tax avoidance and promote transparency of recent tax regulation include the EU's implementation of public CbCR. These measures force companies to publicly disclose financial and tax data and increases the risk of significant penalties and reputational damage. The recent regulatory developments will be discussed in more detail in the next chapter.

It's not only new regulations that present a risk, changing approaches of tax authorities to enforcing regulation is another regulatory risk. Governments are increasingly enforcing anti-tax-avoidance measures, for instance through OECD's BEPS project, which aims to prevent profit shifting to low-tax jurisdictions. Also, several multilateral agreements, such as the OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters and the EU Directive on Administrative Cooperation (DAC), allow tax authorities to work together and share tax information, conduct cross-border audits, and assist in tax collection and recovery.[14]

Interview with Astrid Durgaram

Astrid Durgaram is Expert Advisor Legal and Tax at ABP, where she advises on legal and tax matters regarding asset management, third-party agreements, and financial regulations. She fulfilled an instrumental role in the development of ABP's Tax Principles, which describe ABP's approach to responsible tax.

Why is tax an important topic to ABP?
ABP wants to build a good pension in a livable and sustainable world. This principle forms the foundation for our pension administration, management, and investment activities. For us, this also includes responsible tax behaviour. This aligns with the broader goals of responsible investing to promote not only good governance, but also social and environmental sustainability. Taxes contribute to healthy public finances and a stable society, where social services are readily available and where people feel connected to each other and society. By responsibly managing taxes, we can contribute to a livable world where our participants can enjoy their retirement.

Understanding and managing tax implications allows investors to optimise after-tax returns and comply with legal requirements and to avoid potential tax risks from materialising. This not only protects their investments but also supports the integrity of the financial markets. Moreover, policymakers increasingly use taxation as a tool to achieve sustainability goals, by subsidising sustainable behaviours and taxing non-sustainable ones. These taxes and subsidies impact the companies in which ABP invests. Considering responsible tax behaviour therefore allows us to better assess tax risks, while at the same time contributing to the stability of the global financial system and a sustainable society.

How did ABP approach developing its Tax Principles?
Our primary objective was to ensure that our tax practices align with our broader investment principles, which include considerations of risk, return, costs, and sustainability. To achieve this, we undertook a comprehensive process that involved several key steps:

1. Integration with investment processes: We integrated our Tax Principles into APG's (alternative) investments processes, which are managed by APG, our investment manager. This involved performing a tax technical analysis to assess the returns, risks, and costs from a tax perspective. We translated our Tax Principles into specific tax criteria, which are assessed using a tax criteria checklist (TCC) prior to making any investment. This ensures that our tax policy considerations are recorded.
2. Compliance and transparency: We have ensured that our Tax Principles comply with relevant tax laws and regulations, and are committed to being transparent about our tax practices. This includes public reporting on key business, financial, and tax information for each tax jurisdiction where we operate.
3. Collaboration and engagement: We collaborate with international organisations that promote responsible tax behaviour and engage with companies in which we invest to encourage them to adopt responsible tax practices. For us this is a continuous exercise.
4. Continuous improvement: We continuously review and update our Tax Principles to ensure they remain relevant and effective. This involves regular assessments and adjustments based on feedback and changes in the regulatory environment.

We apply our Tax Principles to all our investments and actively engage with the companies in which we invest about responsible tax behaviour through our pension administrator and investment manager, APG. Our engagements are based on our Socially Responsible Investing (SRI) policy and we inform companies about our ambitions and objectives and assess their compliance with our standards.

What are some criteria ABP considers when assessing an investee company's tax practices to mitigate tax risks?
We monitor all our investments on their compliance with our Tax Principles and Tax policy. For our capital market investments, we monitor their compliance based on three core criteria:

- The presence of a publicly available tax policy, strategy, and principles through which they indicate their approach to taxation;
- The presence of public tax reporting in which they disclose key business, financial, and tax information for each essential tax jurisdiction;
- Their effective tax rate being at least 15%, or if it is below 15%, the company is to report on the causes for its low ETR and its commitment to paying fair tax (at least 15%) going forward.

If we determine that investee companies are non-compliant with these three criteria, we actively engage them through our Engagement, Focussed Engagement, and Risk Engagement frameworks.

How do you move beyond the risk perspective as an investor to make a positive impact on investee's tax practices?
By positively engaging with investees on their tax practices, highlighting best practices of companies that comply with international best practice standards for good corporate governance, and showing how responsible fiscal behaviour can generate long-term value. Moreover, we hold those who practice irresponsible fiscal behaviour accountable through our voting practices. We make voting decisions based on the specific context and markets in which a company operates, such as provisions in national codes of good governance and local laws and regulations.

The Tax Principles emphasise collaboration; how do you work together with other investors, organisations, or tax authorities on tax?
We promote responsible tax behaviour on both a national as well as a global level through cooperating with other reputable and responsible (institutional) investors. In 2019, we took the initiative to start a structured dialogue with other major institutional investors on the importance of responsible tax behaviour. This "tax platform" is still active today. We discuss effective criteria that can be used for assessing investee companies in our investment portfolios, best practices, lessons learned, and the use of tax reporting standards within our own organisations.

In addition, we collaborate transparently with regulators and lawmakers. Often, the perspective of global institutional investors can provide helpful insights to lawmakers and regulators on the effectiveness of policies. When lawmakers, for example, organise public consultations on relevant new legislation, we aim to provide our input in order to contribute to sustainable and adequate legislation.

Have you seen changes over the years when it comes to responsible tax?
Among our investee companies, we have seen a growing awareness and adoption of responsible tax practices. Initially, there was a lack of common understanding of what responsible tax behaviour entailed. However, through our engagement efforts and the evolving regulatory landscape, more companies are now recognising the importance of tax transparency and ethical tax practices. This shift is evident in the increased disclosure of tax-related information and the adoption of practices that align with global standards such as the GRI 207 tax standard.

What are some key things that could still be improved in the future?
There is still a gap when it comes to the availability of public data on tax at the level of our investee companies. This makes it a challenge in practice for a global investor such as ABP to effectively assess investee companies in our global investment portfolio against the same criteria. Often data is not available, the data is fragmented, or the way data is reported differs significantly among the listed companies that we invest in. We would, therefore, highly welcome a harmonised global reporting standard on tax criteria. We are committed to moving this topic forward on a global level in collaboration with policy-setting organisations, such as the OECD.

3. The changing landscape of tax regulation

This chapter will explore the major recent developments in tax regulation, with particular focus on new regulations aimed at increasing transparency, raising corporate taxation, the growing importance of environmental taxes, and efforts toward EU tax harmonisation. Furthermore, the role of tax in sustainability regulations, such as the Sustainable Finance Disclosure Regulation (SFDR), the Corporate Sustainability Reporting Directive (CSRD) and the upcoming Omnibus Regulation will be discussed in this chapter.

3.1 RECENT DEVELOPMENTS IN TAX REGULATION

Increased transparency requirements

One of the biggest shifts in tax regulation has been the increased emphasis on transparency. Governments and regulators, as well as institutional investors, want more insight into corporate tax practices, particularly for multinational corporations (MNCs). This is a central part of the OECD BEPS project. This framework targets tax avoidance by companies in general and has specific guidelines on CbCR. This way of reporting obliges companies to report their profits, revenues, taxes paid, and number of employees on a per-country basis, making it easier to recognise whether firms are artificially shifting profits to low-tax jurisdictions.[15] Public CbCR has also been adopted by the EU through regulation introduced in 2021, which demands more transparency from large EU businesses.[16] However, global adoption of per-country disclosure remains low.

Besides regulations, voluntary initiatives like the GRI 207 also ask companies to be more transparent, by giving a blueprint to report on their tax policy/strategy, governance, and taxes paid per country.[17] This emphasises the recognition of tax as a relevant ESG issue and its integration into broader developments around sustainability reporting.

Pillar II: global minimum corporate tax

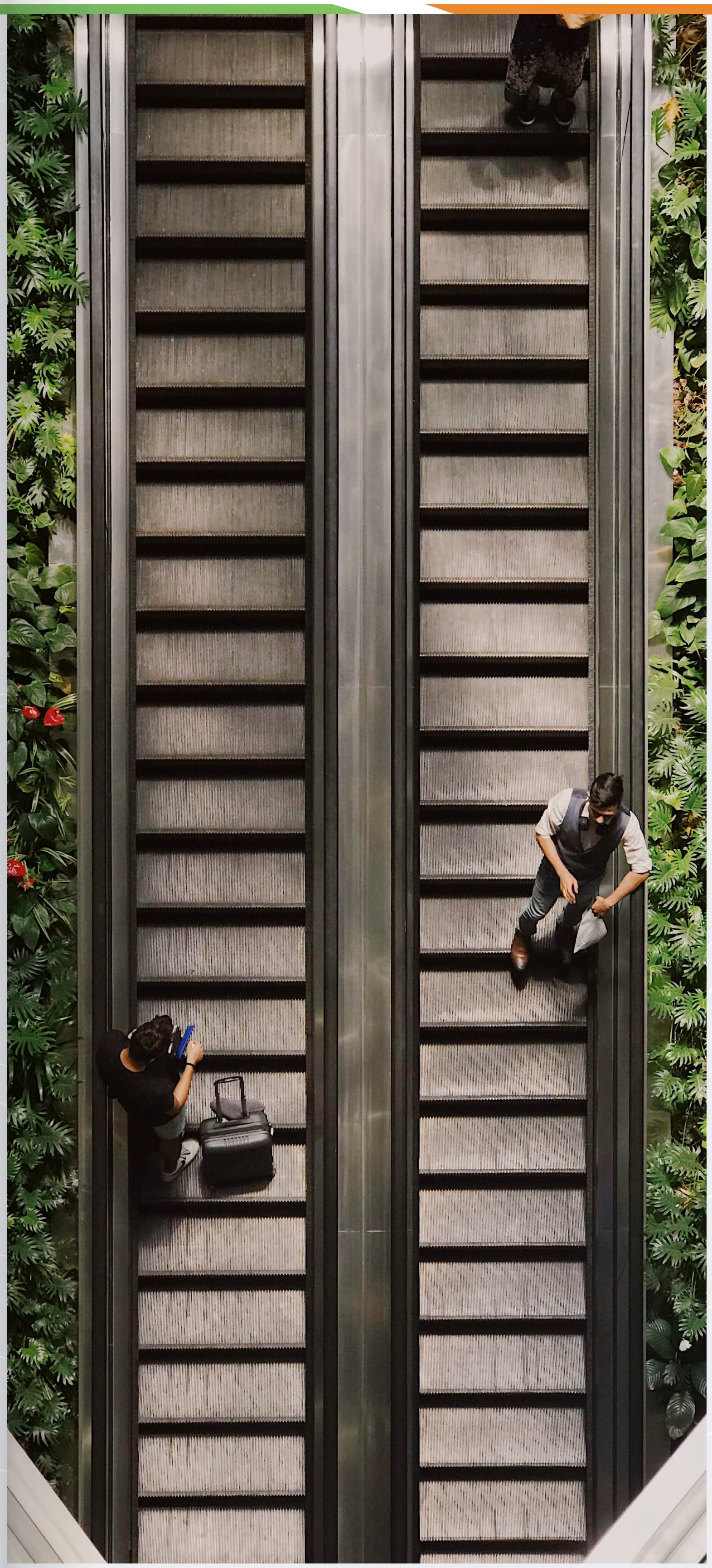
Another key target area of tax regulation is the adoption of the OECD pillar 2. More than 130 jurisdictions decided on new international tax rules for MNCs after OECD negotiations in 2021 established a global minimum tax. The Pillar Two framework requires large corporations to pay a minimum tax rate of 15% globally. This prevents companies from shifting profits to low-tax jurisdictions. Countries are now introducing national laws to conform with these international agreements.[18]

Environmental taxes and incentives

Recent regulatory tax developments also involve environmental taxation. This has become an increasingly important tool for governments seeking to mitigate climate change. Carbon taxes, which place a direct price on greenhouse gas emissions, are being implemented in more jurisdictions as part of broader climate policies.[19] Specifically, the EU introduced the Emissions Trading System (ETS) and Carbon Border Adjustment Mechanism (CBAM) as part of the EU Green Deal, aiming to reduce emissions through pricing carbon emissions. ETS is a system that caps the total amount of carbon emissions and creates a market for companies to trade emission allowances. CBAM is a carbon pricing mechanism that places a carbon price on imported goods to ensure that foreign producers face a similar carbon cost as EU manufacturers under the ETS.[20] Moreover, governments are incentivising green investments through tax incentives for sustainable technologies, renewable energy, and energy-efficient initiatives, in order to align tax policy with sustainability goals.[21]

EU corporate tax harmonisation

The EU has been working on tax reforms that could create a level playing field for businesses. The BEFIT initiative, currently still in the proposal phase, is an effort to harmonise corporate tax bases across the EU. The initiative would include setting a standard set of rules for EU member states in calculating their tax base, making it easier for large companies to operate in multiple member states and reducing the costs of tax compliance.[22]



3.2 TAX IN SUSTAINABILITY REGULATION

Tax is becoming a crucial element in broader sustainability regulations, although it is not yet a mandatory requirement in many frameworks. The integration of tax into ESG considerations reflects the growing understanding that tax policies are closely linked to social equity and responsible governance.

EU regulation on corporate sustainability reporting

The EU has introduced several initiatives to stimulate corporate sustainability reporting, including the CSRD, the Corporate Sustainability Due Diligence Directive (CSDDD), and the EU Taxonomy. The forthcoming EU Omnibus Regulation, expected in February 2025, aims to streamline sustainability reporting and eliminate overlapping requirements by consolidating these three frameworks into a single directive.[23] The specific role of tax within this framework remains to be determined.

Currently, tax reporting is not mandatory under the CSRD, although it should be considered as part of a company's materiality analysis. Companies are encouraged to assess whether their tax practices are material to their stakeholders and should therefore be disclosed.[24] The GRI 207 standard, which emphasises public country-by-country reporting, is aligned with the principles of the CSRD.[25] It is unclear yet whether the Omnibus Regulation will expand upon these requirements or introduce new tax-related reporting obligations. The exact implications for tax reporting will become clearer upon the regulation's publication.

Tax and the Sustainable Finance Disclosure Regulation (SFDR)

The SFDR requires financial market participants to disclose sustainability information and assess how ESG-related risks are included in decision-making processes. A 'sustainable investment' is required to not significantly harm certain good governance practices, one of those practices being tax compliance. In this way, investors are encouraged to consider how companies' tax strategies align with broader sustainability goals and how transparent they are about their tax policies.

4. Creating a responsible tax framework

Responsible tax practices are essential not only from an investor's perspective but also from the standpoint of institutional investors as taxpayers. Having a responsible tax framework in place, thereby ensuring that taxes are paid fairly and transparently, is equally as important for investors as it is for the companies they invest in. It ensures that taxes are aligned with business operations, ESG goals, and stakeholder expectations, while mitigating risks and improving transparency. However, creating such a framework can be challenging. This chapter outlines the key elements to consider when implementing a responsible tax framework.

The basis of the tax framework is the alignment with the organisational values and assessing whether these are reflected in the organisation's approach to tax. Looking at tax from the broad view of the organisation's values allows for a clearer understanding of whether the societal role of the organisation is reflected in its approach to tax. This also includes reviewing whether the tax framework is consistent with the organisation's commitments to sustainability and further ESG topics. By defining tax values that support responsible business behaviour, institutional investors can show that they are committed to contributing fairly to society through their tax practices.

In the process of developing or reviewing the responsible tax framework, the role of stakeholders cannot be overemphasised. Engaging with internal stakeholders (such as management and employees) and external parties (such as tax authorities, investors, and the public) allows for a comprehensive understanding of different perspectives on tax practices.

Box 2 - **Organisations working on responsible tax**

- Launched in 2018, The **B Team Tax Principles** are designed to promote responsible corporate tax practices. The seven principles together form a framework for responsible tax practice. The principles encourage businesses to formulate a clear approach to tax management, collaborate to support fair tax systems, and report transparently on tax matters. Companies can endorse the principles and work together with the B Team to promote responsible corporate tax practices.
- The **Global Reporting Initiative (GRI)** has formulated guidelines, **GRI 207: Tax 2019**, on how companies should disclose on tax-related matters. The standard focuses on four types of disclosures, describing requirements for reporting on tax governance, management, and stakeholder engagement. The standard also requires companies to disclose tax-related information on a country-by-country basis.
- **Principles for Responsible Investment (PRI)** provides guidance for institutional investors to promote responsible corporate tax behaviour. PRI emphasises the importance of seeing tax as an ESG topic and integrating it as such in investment decisions. Moreover, it encourages investors to engage on tax-related issues, collaborate with peers, and align with global tax standards.
- The **OECD Guidelines for Multinational Enterprises on Responsible Business Conduct** includes a chapter on taxation, highlighting the critical role of MNEs in contributing to public finances and maintaining responsible tax conduct. The chapter outlines principles on tax compliance, governance and risk management, cooperation with tax authorities, transfer pricing, tax transparency, and the responsibility of the board on tax matters.

4.1 KEY ELEMENTS OF A RESPONSIBLE TAX POLICY

Developing a tax policy or an approach to tax is where values, principles and criteria on tax come together. Where tax values describe the alignment of the broader organisation with the tax approach, the tax principles translate this into what actual responsible tax behaviour looks like for the organisation. Along with the fact that the principles should align with the organisation's values, there are also some key elements to consider integrating to guarantee an approach to tax that is fair and transparent. These key areas are governance and compliance, relationships with authorities and other stakeholders, tax transparency, and advocacy on tax-related issues. For each of these areas, we will discuss relevant tax principles, in line with guidelines developed by B Team[26], GRI[27], PRI[7], and the VBDO Tax Transparency Benchmark[25].

4.1.1 GOVERNANCE AND COMPLIANCE

Avoidance of tax havens

One critical area in responsible tax governance is the avoidance of tax havens. PRI's tax disclosure recommendations highlight the need to define tax havens clearly, ensuring that operations in these jurisdictions are for business purposes and not merely for tax avoidance. There are various reasons why a certain jurisdiction might be defined as a tax haven or non-cooperative jurisdiction, from low corporate income tax rates to a lack of transparency. Organisations may want to include a definition of tax havens in their responsible tax framework. We recommend using the definition created by the OECD[27] or the EU[28].

Because the issue of tax havens is so nuanced, there is no definitive list of areas to avoid; however, the EU has created lists of controversial jurisdictions when it comes to tax: the EU list of non-cooperative jurisdictions for tax purposes[29]. Lastly, maybe more important than a perfect definition or list is to be transparent about where business operations are based and that this presence can be explained for reasons not related to tax.

Pay tax where value is created

Tax should not be a profit centre in itself. In line with the EU's BEPS project, organisations should pay taxes in the places where commercial activity takes place. Moreover, clarifying the role of tax in the value creation model further clarifies the perspective of the organisation on their role as a taxpayer. The bottom line is that compliance with tax regulations should not be regarded as a minimum standard, but as the norm.

Spirit of the law

A responsible framework respects the spirit of the law, going beyond the letter of the law. It is crucial that organisations ensure that tax policies are not focused on exploiting legal loopholes but on contributing to the sustainability of the organisation and of society. Organisations should clarify what this means for them and how they aim to interpret tax regulation in a way that aligns with a responsible approach to tax.

4.1.2 RELATIONSHIPS WITH AUTHORITIES AND OTHER STAKEHOLDERS

Relations with tax authorities

Fostering transparent and cooperative relationships with tax authorities is another important part of responsible tax governance. Institutional investors should disclose their tax strategies to tax authorities, ensuring full compliance and avoiding aggressive tax planning. A collaborative approach with tax authorities also means proactively seeking certainty on how certain tax rules apply to the organisation if this is not clear. Moreover, if the organisation seeks clarity in advance with certain tax authorities, this should be based on full disclosure of the available information. In addition, the organisation should be prepared to publicly disclose these tax arrangements. This helps not only to build trust, but also to mitigate regulatory risks.

Government incentives and subsidies

Tax incentives and subsidies can provide valuable support to the organisation. However, it is important that the organisation is intentional about which incentives it seeks to get and makes sure that this is in line with the intention of the tax incentive as well as the objectives of the organisation. This is also the case when it comes to applying for government incentives and subsidies that support sustainable business activities. Ethical use of government incentives strengthens long-term relationships with governments and aligns tax practices with sustainability goals.

4.1.3 TAX REPORTING AND TRANSPARENCY

Publish the tax approach

Another step that demonstrates accountability to stakeholders and should therefore be part of the responsible tax framework is tax reporting and transparency. This includes transparency on the approach to tax and policies on the key areas discussed in this chapter. Being open on the organisation's views on tax governance, compliance, relationships with stakeholders, and advocacy efforts on tax issues does not only demand responsibility and accountability of the organisation, but it also promotes trust among stakeholders and creates a solid basis for constructive dialogue on responsible tax practices.

Overview of the operations

Transparency also includes being open about the presence in jurisdictions where the organisation operates and where tax is paid. The relevance of the company's presence – for commercial, tax-unrelated purposes – should be clear. This becomes easier when organisations follow CbCR guidelines, since this means that they will already provide an overview of the jurisdictions in which the company is active. If any inconsistencies between an organisation's business activities and the income tax paid can be found in this data, the organisation can just explain its operations in these countries instead of explaining the presence of the organisation in each country where it is active.

CbCR

When it comes to financial disclosures on tax, organisations are encouraged or – in the case of large MNEs, obliged – to report tax-related information on a country-by-country basis. This information includes revenues, profits, taxes paid, and economic activities in each jurisdiction where the organisation operates. Publicly disclosing this information, for instance by implementing GRI 207, promotes tax transparency and fosters trust in both the organisation as well as in the broader tax systems. Moreover, it allows stakeholders to assess an organisation's tax position and allows for public debate on tax.

Explain the tax reconciliation table

In the light of tax transparency, it is not only important to include a tax reconciliation table that details the differences between the statutory tax rate and the effective tax rate, but to also provide a narrative description explaining these differences. Providing context is both beneficial for the organisation as well

as for other stakeholders, as it gives the opportunity to explain seemingly discrepant differences.

External tax assurance
Organisations should be prepared to provide additional tax information to regulators, tax authorities, and other stakeholders to provide a certain level of assurance regarding tax data and processes. The VBDO Tax Transparency Benchmark indicates that tax disclosure has increased over the years, with an increase from 10% of companies in scope providing assurance on non-financial tax disclosures in 2022, to 26% in 2023.[23] However, compared to other sustainability issues, commitments and disclosures on tax are still lagging.[30]

4.1.4 PUBLIC ADVOCACY

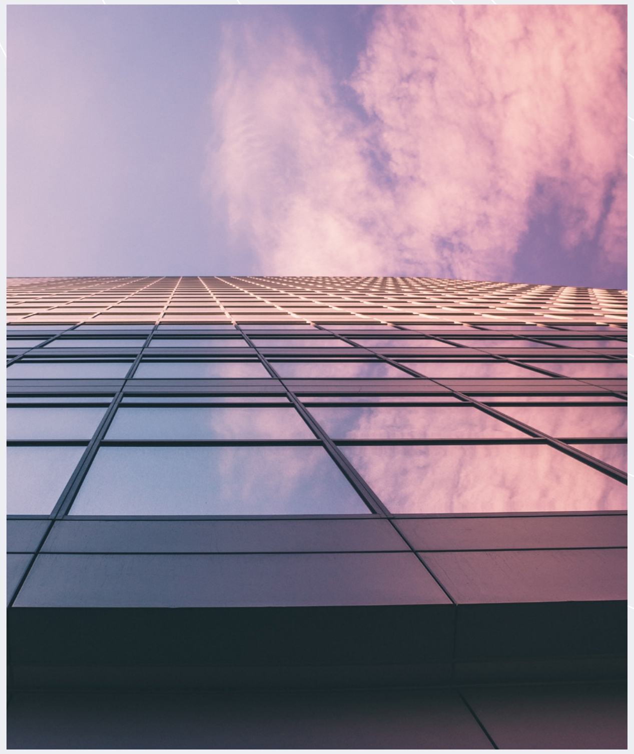
Endorsing initiatives
It is important to create a strong internal responsible tax framework. However, to contribute to a more transparent and fair tax system globally, organisations should also start advocating for fair governmental tax policies and regulations. Moreover, supporting initiatives such as The B Team Responsible Tax Principles and PRI tax disclosure recommendations demonstrates leadership in responsible tax practices. Publicly endorsing these initiatives can stimulate public discussion about this topic and encourage other investors to follow. Moreover, by publicly advocating for responsible tax policies, institutional investors can contribute to shaping tax regulations that align with sustainability goals and ensure that businesses are transparent and pay their fair share.

Engaging in dialogue
Another way of advocating for responsible tax practices and increased transparency is through engaging with governments, multilateral organisations, industry organisations, and civil society. Organisations can engage with legislators to promote responsible tax practices by e.g. backing policies that promote tax transparency, such as mandatory public CbCR, and alignment with OECD's BEPS initiative. Other ways to engage are by participating in consultations initiated by governments or international organisations on tax reforms, and by collaborating through industry associations or in multi-stakeholder initiatives (such as The B-Team or PRI) to promote collective support of responsible tax principles. Establishing an open and collaborative relationship with tax authorities can increase the effectiveness of engagement efforts.

There are multiple ways to approach engaging on tax and it isn't necessary to tick all the boxes. However, a comprehensive responsible tax framework should include a clear description of the organisation's approach on tax-related engagement, which explains how it seeks to take a stance or promote public policy discussions on effective and responsible tax systems and regulation. In chapter five, we will go deeper into how to engage on tax as an investor.

4.1.5 TAX RISKS

Tax risk appetite
The first step is to define the organisation's tax risk appetite, reflecting the level of risk it is willing to accept in its tax strategies. Clearly defining acceptable levels of risk helps align tax behaviour with the business strategy and signals accountability and transparency to stakeholders.



Description and response to tax risks
If any tax risks are identified, whether these are financial, regulatory, or reputational, the company should report on them in the financial report. This means describing how risks are identified, examples of concrete tax risks, the likelihood of each risk, the potential consequences, and the response of the organisation to manage the risks. Including a description of how tax risks are assessed and managed in the responsible tax framework indicates that tax is well integrated in the business's operations and shows the commitment of the organisation to responsible tax practices.

4.2 IMPLEMENTATION AND GOVERNANCE OF THE TAX POLICY

Formulating a tax policy is a good first step, but to effectively bring this into practice a solid governance and tax risk management framework is required. This framework should include a tax control framework and clarify who is responsible for the implementation and execution (RACI model). Successful implementation also depends on practical actions, such as describing the role of technology and ensuring employees are sufficiently trained. Incorporating tax-related elements into the organisation's whistleblower policy further supports integrity and transparency.

Board responsibility
Governance begins with board-level accountability. The tax policy must be approved and signed off by the board to ensure consistent application across all operations. Moreover, regular reviews are necessary to ensure the policy remains relevant and up to date, both by the executive board and the supervisory board or other independent board members. The board is ultimately responsible for the tax policy and its implementation and should therefore be informed properly on tax matters, specifically by relevant departments such as the tax department and the audit committee. This level of oversight is essential for aligning the organisation's tax practices with its broader commitment to responsible behaviour.

Tax risk management
A description of tax risks and the organisation's response to these risks should be included in the company's tax policy. However, in order for these risks to be consistently addressed, a solid tax risk management framework needs to be put in place, which should also be outlined in the policy.
To create an effective tax risk management framework, the organisation should:

- Describe how tax risks are controlled and managed through a tax control framework, and clearly assign implementation responsibilities.
- Develop a standardised approach to monitor and test the execution of the tax strategy/tax policy and controls. Regular checks should be conducted to ensure alignment with the company's values and regulatory requirements.
- Leverage technology to monitor tax compliance in real time, reducing errors and enhancing transparency.
- Include a 'tax in control' statement within the policy, emphasising accountability at the board level and clarifying the relationship between the audit and risk committees.
- Annually review the tax risk management framework at the board level and document findings to ensure accountability and ensure that actions are followed up.

Employee competence and training
Employee competence is another critical factor in implementing a tax policy effectively. Employees across all levels of the organisation, including the board, should be trained to understand the company's tax approach, and to recognise and navigate potential ethical dilemmas. Regular training programmes should link tax policies to the organisation's broader corporate strategy and code of conduct, helping employees see the relevance of their roles in ensuring compliance.

Whistleblower policy
A whistleblower policy is another important component of governance and transparency, as it ensures that employees can securely report tax-related issues that violate the company's tax strategy. Whistleblower reports can be used to address potential issues, improve tax governance practices, and promote a culture of integrity within the organisation. To ensure that employees feel safe reporting issues, organisations must make sure that whistleblowers are protected from retaliation.

Interview with Sebastien Akbik

Sebastien Akbik is Governance Specialist at Principles for Responsible Investment (PRI), where promoting tax responsibility and transparency is one of his focus areas. He led an investor group on responsible tax to help investors integrate tax-related issues into their ESG practices, and worked across various markets on policy engagement and advocacy relating to ESG issues, such as tax transparency.

Starting off with a broad question, why should investors care about tax?
As ESG becomes more mature, and as the responsible investment movement becomes more mature, we can't afford not to look at tax. From a risk management perspective, if you're not looking at tax, you might be missing out on some key risks that the business might be facing. Companies whose profitability is overly reliant on artificial tax structures are unsustainable, volatile, and vulnerable to regulatory changes. Aggressive tax planning may indicate poor governance, excessive short-term focus, or a higher propensity for risk tolerance, which can spill over into other areas of business. Conversely, when it comes to the businesses that do have responsible tax practices, I think it's fair to properly reflect this commitment in their ESG credential assessments as it bolsters their social license to operate for instance. Another risk to consider is that aggressive tax practices shift the tax burden to other businesses and individuals, and they can lead to an underfunding of essential public services such as infrastructure and education. All of these consequences are harmful for diversified investors, as their returns also depend on the overall health of the economy and the key infrastructure that underpins it.

How is tax linked to ESG?
Tax plays a significant role in ESG. Companies that promote ambitious ESG goals but fail to address their tax practices send mixed messages. Transparency about tax behaviour is fundamental to demonstrating the genuine integration of sustainability into the business strategy. Furthermore, regulations like OECD Pillar 2, which establishes a global minimum tax, and frameworks like the SFDR increasingly include tax in sustainability agendas. Governments and stakeholders are placing greater focus on tax practices, driven in part by post-pandemic deficits and a push to end the “race to the bottom” in corporate taxation.

For responsible investors, I think one of the key reasons to look at tax and managing tax risk are the SDGs, the Sustainable Development Goals. For any investor looking into ESG, it's clear that they should look at tax and the tax profile of their investments, because we're not going to achieve the SDGs without stable tax systems and tax revenues.

What role can engagement play in promoting responsible tax practices?
Investors have a range of tools that they can use. They can submit questions at AGMs, they can file proposals, they can send letters to company boards, and they can make public their expectations. Simply having publicly available expectations on responsible tax practices sends a strong signal to companies. We can align our expectations with frameworks like GRI 207, the B Team Responsible Tax Principles, the PRI's recommendations, and so on. All of these standards, frameworks, and guidelines are very aligned when it comes to expectations for companies on tax.

Since tax is a complex issue, engaging companies can be very effective and, when there is a lack of disclosure, essential. It's very rewarding for investors as well, because when you look into a company's taxes, you really get to the core of the business model and get a better understanding of the company and how and where it creates value. By engaging with policymakers, investors can advocate for stronger tax transparency requirements, such as public CbCR.

What are examples of successful engagement on tax?
PRI coordinated a collaborative engagement from 2017 to 2019, and I think it was a very useful engagement to educate investors and equip them to have more robust dialogues with companies. One of the things that I think was positive about that engagement is that investors were able to exchange notes and insights on how to best engage, and challenge, companies. I think we've been able to derive a lot of learning from that engagement. What was good about the engagement was that we did not wait to have the perfect expectations, set of questions, KPIs, or frameworks to start a dialogue with companies – because otherwise, we would have waited for a very long time. Engagement also provides the opportunity to test expectations, frameworks, and the KPIs that you're using to assess companies and refine them over time.

When it comes to sovereign engagement, PRI engaged with the EU when they were considering CbCR; the Australian Treasury, who recently adopted a CbCR reporting regime similar to that of the EU; and the Financial Accounting Standards Board in the U.S. to request more information on income tax disclosures under the U.S. Generally Accepted Accounting Principles (GAAP).

Another example – although it's not collaborative engagement – is an initiative that has been very helpful in providing a template for how we can influence companies. The French Sustainable Investment Forum (SIF) did this; for three years, they asked a question on tax to some of the largest companies in France. I think that was very helpful in making sure companies got the same message and understood that tax was on the agenda.

How is investor engagement on tax evolving?
Investor interest in tax is growing, driven by regulatory developments such as the SFDR in the EU, which mentions “tax compliance”. Early efforts focused on transparency, like CbCR, but now investors are moving toward deeper analyses of tax practices, including uncertain tax positions and effective tax rates.

Collaborative engagement is also becoming more prominent. Platforms like the PRI's Tax Signatory Reference Group and initiatives like Shareholders for Change allow investors to pool resources, align strategies, and send unified messages to companies. Such efforts have proven effective in driving change, as seen in coordinated engagement on tax transparency with major corporations.

What challenges remain in advancing responsible tax practices?
One challenge is ensuring data availability and granularity. While tax transparency has improved, there's still room for more sophisticated analysis of companies' tax practices to assess their practices. We could look beyond transparency and more into the data – really understanding the different tax rates that we could use and having some sort of red flag system, perhaps adapted to specific industries and geographies as well. We should also incentivise and engage data providers to make tax a key part of their assessments.

Another challenge lies in encouraging companies to not only disclose data but also explain it. Investors and stakeholders value qualitative narratives that contextualise tax data, addressing any seemingly suspicious elements. However, there's a lot that we already know. So, like with many other issues, trying to look for the perfect data will be a secondary concern. We can be humble when working with companies and tax directors, but we don't want companies to assume we don't know what we want. We know ultimately what we want, so we've got an angle.

Finally, there's the complexity of defining responsible tax practices. Unlike clear-cut and quantifiable goals in climate action, tax involves navigating nuanced issues like balancing tax efficiency with ethical responsibilities. The focus should remain on creating consistent frameworks and incentivising companies to integrate responsible tax behaviour into their broader ESG strategies.

5. Tax in responsible investment decisions

For investors, there is another dimension to considering tax transparency in internal policy – the integration of tax in the responsible investment policy. This means considering how the points from the previous chapter relate to the investee companies and taking action when they don't align. We will discuss the different instruments investors can use to take appropriate action, from considering tax when making investment decisions to choosing data and engagement providers and engaging with investee companies and regulators to encourage responsible and transparent tax practices.

5.1 INTEGRATE TAX IN INVESTMENT DECISIONS

Possibly the most straightforward way to invest responsibly regarding tax is by making tax a factor in investment decisions, through assessing potential investees on their tax practices and tax transparency. As well as using the VBDO Tax Transparency Benchmark as a guide to see which European companies are open about tax issues, there are multiple indicators to look out for when assessing companies, such as whether the company has a board-signed and annually reviewed tax policy that includes the previously discussed key elements. In particular, investigate the following elements to identify companies with responsible tax behaviour and to avoid companies which take an aggressive approach to minimising tax:

- **Availability of financial statements:** A sign of good corporate tax behaviour is the publication of a comprehensive set of financial statements for the consolidated group, including a balance sheet, income statement, and cashflow, supported by an explanation. Also look for a narrative description supporting the tax reconciliation table. Not providing financial statements publicly might indicate 'tax cloaking'[A], which is a red flag.
- **Public country-by-country reporting (CbCR):** Publicly disclosing tax statements on a per-country basis is a good sign of a company's commitment to transparency. Look for disclosures on current corporate income tax payments, accrued corporate income tax, profit before income tax, accumulated earnings, and FTEs for each country, in line with GRI 207. Alongside promoting transparency, this data can also be used by the investor to determine possible risks by allowing them to identify potential inconsistencies in the data. It is even better if the company proactively provides explanations for any identified inconsistencies.
- **Disclosure of uncertain tax positions (UTP):** The company should be open about UTPs and provide information on the value and impact, both quantitively and through an explanation of the company's position. If the company is not open about UTPs, it signals that the company does not prioritise transparency. Moreover, if the number of UTPs is high, this might indicate aggressive tax planning.
- **Corporate cash taxes paid:** Looking at the taxes paid over the long run gives a good indication of the company's contribution. One reason to look at the cash tax rate instead of just the effective tax rate (ETR), is because the ETR includes deferred taxes that might not materialise. If a company's average cash tax rate is more than 20%, this is a good sign. If the rate is questionable, take a nuanced approach in these cases and look out for a clear explanation for the low tax rate. Factors that could legitimise a low tax rate, for instance, are if the company experienced financial losses or used tax incentives. Moreover, a lower threshold may apply to sectors with high tangible CapEx and a higher threshold for sectors that typically use low-tax jurisdictions for booking intangible assets. There is no exact figure that can be applied as a threshold for all companies and therefore low tax rates are not always a red flag, but they do warrant a search for public and comprehensive CbCR data, including an explanation for low taxes paid.[31]

[A] Tax cloaking refers to the deliberate concealment of a company's tax practices, making it challenging for stakeholders to assess the organization's tax behavior and its alignment with responsible tax conduct. (https://fairtaxmark.net/what-is-tax-cloaking/)

When using an ESG provider, consider choosing data providers that integrate tax analyses into their ESG ratings, for research and in other services that they provide. MSCI and S&P Global, for example, considers tax transparency a key issue in its ESG ratings.[32,33] Sustainalytics also includes taxation as part of business ethics in its ESG ratings of companies.[34] Tax can also be a factor in choosing an engagement provider. For instance, EOS at Federated Hermes published a set of principles that describe its engagement approach on responsible tax practices and disclosures.[35]

5.2 BE OPEN ABOUT EXPECTATIONS ON TAX

Integrating tax in investment decisions is a powerful step in promoting tax responsibility. In order to do this in a consistent way and at the same time signal to investees the importance of their behaviour surrounding tax, publicly making your expectations clear is an effective next step. This can be approached in multiple ways, for instance by integrating tax in the RI policy, as Nordea Asset Management[36] does. Other ways to communicate your expectations are by publishing a position paper in line with the RI policy, like ABP[37] and Norges Bank[38] did, or by including tax in the voting policy, like Etica Funds[39] has.

To increase credibility, aligning these expectations with the investment organisation's own tax principles is vital, as well as aligning them with frameworks like GRI 207, The B Team Responsible Tax Principles, the OECD guidelines, and PRI's recommendations. Making expectations concrete helps both the investor with assessing investees as well as the company with understanding the investor's stance, contributing to productive discussions and awareness. Publishing these expectations also serves as a good basis for conducting engagement on tax-related issues in a structured and systematic way.[11]

5.3 ENGAGEMENT

If companies in the portfolio do not align with the investor's expectations, engagement can be an impactful tool to encourage investees to step up. There are many instruments that investors can use to promote responsible tax through individual and collective engagement, not only with companies, but also with regulators.

Corporate engagement

In terms of corporate engagement, investors can use a range of tools. Engaging through any of these instruments requires the investor to have clear expectations on tax and of the specific company.

The first engagement tool investors can use is asking questions at AGMs about the company's tax strategy, level of transparency, or discrepancies between the investor's expectations on tax and the company's practices. It is important that the investor has assessed the company's tax profile, so that it can formulate a clear and specific ask of the management and the board. For instance, it can do this by researching whether the company has a comprehensive responsible tax framework, or by assessing the points described in section 5.1. This helps in creating a good basis for a constructive dialogue with the company and determining which questions to ask. Moreover, it clarifies the goal of the engagement for the investor as well: some questions might provide an insight into the company's practices and can therefore help to inform investment decisions, while other questions might be more geared towards encouraging the company to implement responsible tax practices and transparency.[8]

Voting is another clear way of communicating the expectations on tax-related issues to the company. The most straightforward way to do this is by supporting

shareholder resolutions that encourage responsible tax practices. However, investors can also include tax as a factor in other votes. For instance, if a company does not meet the investor's tax expectations or does not address significant tax risks, the investor can decide to vote against reappointing members of the board or audit committee, since tax falls under their responsibility. In cases of mergers, acquisitions, and reincorporations, investors can assess whether the company's motivations are tax-related, for instance if it is reincorporating in a controversial region, and use this to inform their vote on the matter. Tax can also be considered in the investor's vote on the appointment of auditors. For instance, if the company is not transparent about services provided by the auditor or if non-audit tax advisory fees are high, this could indicate these resources have been used for tax planning purposes.[40]

As well as voting in favour of proposals supporting tax responsibility and transparency, investors can also decide to file a shareholder proposal themselves, if that is feasible in the jurisdiction. This is an effective way to both communicate specific expectations of the company in cases of tax-related concerns, and more broadly to emphasise the importance of tax responsibility for investment returns.[40]

Collective engagement

Collective engagement on tax is another strategy for institutional investors to promote responsible tax practices and enhance transparency. Platforms such as the PRI's Tax Signatory Reference Group and SFC show how collaborative initiatives can influence corporate behaviour. These networks allow investors to bring together resources and expertise to increase their impact on companies and policymakers. The investors collaboratively identify companies or systemic tax issues that need attention and take subsequent action through, for instance, sending letters to boards, asking questions at AGMs, and filing shareholder proposals.

For instance, SFC engaged with four major European telecommunication companies in 2019-2020, after identifying a lack of tax transparency at all of them. The companies – Vodafone, Deutsche Telekom, Telecom Italia, and Orange – received a letter from SFC with questions on tax-related issues to start an engagement process. Each company was engaged by individual SFC members on behalf of the whole network. Vodafone was engaged specifically to address "issues surrounding aggressive tax planning and profit shifting", while the other three companies were asked to publicly report CbCR data and clarify the role of its subsidiaries in certain jurisdictions. The outcomes varied: Deutsche Telekom and Telecom Italia explained their tax positions, leading SFC to conclude that their strategies do not appear to be controversial. Vodafone already disclosed CbCR data but seemed to have "a more aggressive tax strategy compared to the first two companies". Orange did not respond to the letter, but other steps, such as asking questions at the company's AGM, might be taken.[40]

Engagement with regulators

In the previous chapter, we mentioned the importance of engaging in dialogue with regulators and describing the engagement approach in the responsible tax framework. As an institutional investor, you can take similar actions to support responsible tax practices as companies: advocating for responsible tax policies, participating in public consultations, and collaborating in multi-stakeholder initiatives. However, as an investor you can provide tax authorities with another perspective to encourage the facilitation of conditions that support sustainable investments, by emphasising the importance of standardised, transparent reporting and fair tax policies for investment risk management.[42]

As previously mentioned, Shareholders for Change and PRI's Tax Signatory Reference Group don't just provide platforms for members to share insights, tools, and experiences, both also facilitate collaborative efforts among members to engage on ESG issues, including with government bodies.[43] For instance, PRI facilitated engagement with the EU when it was considering increasing contractual reporting with the Financial Accounting Standards Board in the U.S. in order to gain more information on tax practices.[44] Similar developments can be seen in Australia, where investors were part of a coalition campaigning for better legislation on corporate tax transparency, which resulted in the adoption of improved public country-by-country reporting legislation.[45, 46]

6. Next steps

What are the next steps to take if you want to advocate for responsible tax practices as an investor? There are many possibilities and there is not one right way; the most important thing is to take a first step:

Develop a responsible tax framework
Creating a robust tax framework is the foundation for aligning your investments with responsible tax practices. Begin by considering the elements outlined in this guide, related to governance, relationships with authorities, transparency, public advocacy, and risk management. Formulate a clear set of principles and objectives that reflect your stance on tax. This will not only guide your own policies but also your assessments of investee companies' tax practices.

Formulate and publish expectations on tax for investee companies
Publish a statement or policy describing your expectations for companies regarding tax transparency, governance, and practices. Specify criteria such as adherence to international tax standards and avoidance of aggressive tax planning, and ensure alignment with your organisation's internal responsible tax framework. Setting expectations communicates a clear standard for investee companies and can help promote responsible tax behaviour.

Assess your portfolio
Review the companies in your portfolio to identify tax-related risks. Look for red flags, such as the use of tax havens, aggressive tax planning, or a lack of public tax disclosures. Also recognise green flags, such as compliance with frameworks like GRI 207 or the adoption of public CbCR. Use resources like the VBDO Tax Transparency Benchmark and the KPIs developed by the Fair Tax Mark to assess tax practices systematically.

Join investor-led initiatives
Collaborate with investors by joining initiatives such as the PRI's Tax Signatory Reference Group or Shareholders for Change. These platforms provide opportunities to engage collectively with companies, share best practices, and increase your impact. Collective engagement is a powerful way to push for greater transparency and ethical tax practices.

Get in touch
If you want more information on how to approach tax as an investor or on how to take these next steps, don't hesitate to get in touch with us.

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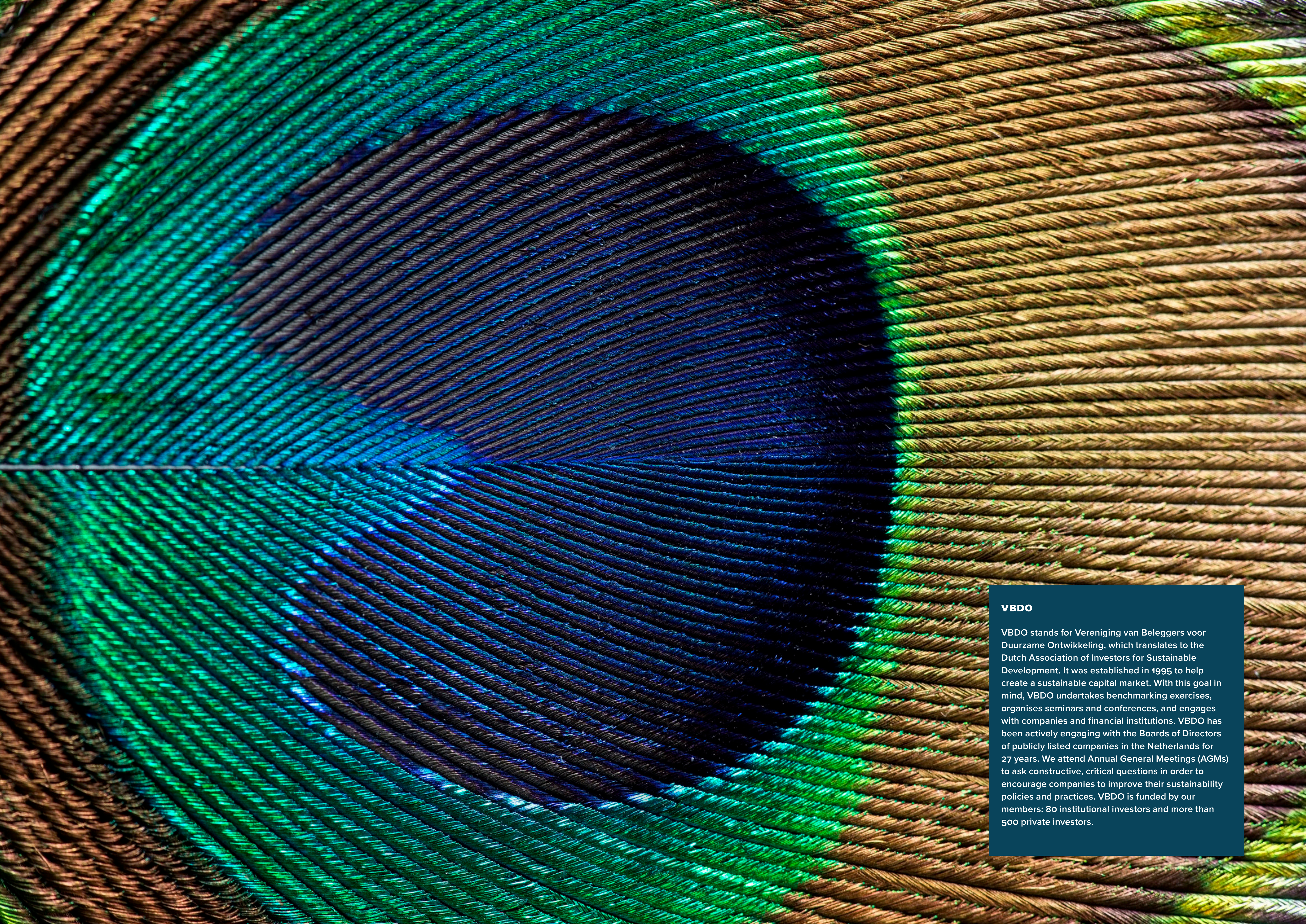

VBDO

VBDO stands for Vereniging van Beleggers voor Duurzame Ontwikkeling, which translates to the Dutch Association of Investors for Sustainable Development. It was established in 1995 to help create a sustainable capital market. With this goal in mind, VBDO undertakes benchmarking exercises, organises seminars and conferences, and engages with companies and financial institutions. VBDO has been actively engaging with the Boards of Directors of publicly listed companies in the Netherlands for 27 years. We attend Annual General Meetings (AGMs) to ask constructive, critical questions in order to encourage companies to improve their sustainability policies and practices. VBDO is funded by our members: 80 institutional investors and more than 500 private investors.