Tax transparency

Our position

We believe that the rate corporates pay in tax is a useful action-based indicator on how a company thinks about serving wider stakeholders. In the shorter term, we also note the possible valuation impact on issuers of increased tax rates. After many years of negotiation, the 136 nation members of the OECD reached an agreement in 2021 for a minimum tax rate of 15 per cent for large companies. According to our analysis, of the 2500 largest companies in the world, 20 per cent pay under 15 per cent effective tax, and the percentage figure of the group is much higher if it is weighted by market capitalisation[1].

What we do

We identify unacceptably low tax payers, and payers who are spending heavily on tax avoidance strategies, which may conflict with their narratives on responsible corporate citizenship. We also take into consideration the proportion of audit fees spent on tax advice as an indicator.

How we vote

Engagement will focus on the largest holdings in active and passive mandates, and where tax contributions are the most inappropriately low.

We may vote against the Chair of the Board or other relevant Board of Directors, unless the company communicates a timely and credible responsible tax plan to us.

Vote decisions may change if new information from the issuer is provided in a timely and comprehensive manner to address our concerns through proactive engagement from companies.

1. Bloomberg data, December 2021

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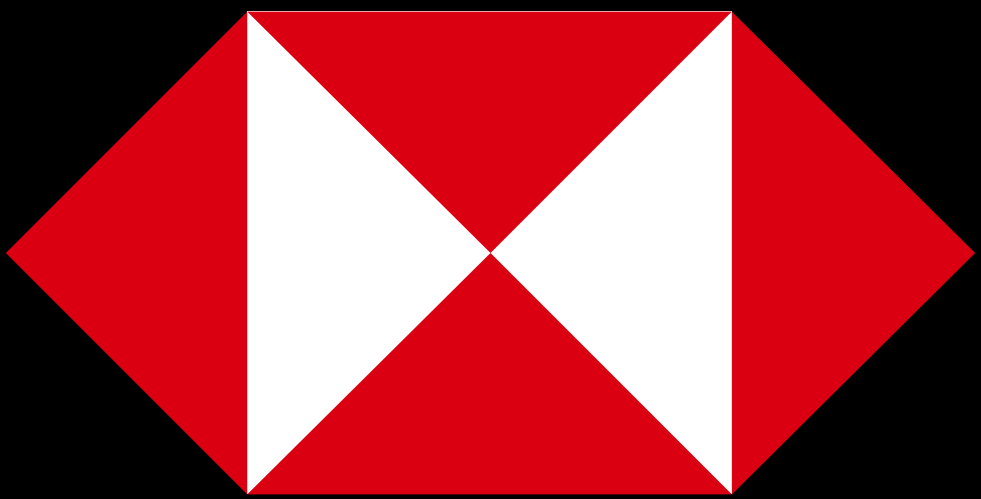
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