An explosive shareholder resolution at Amazon’s upcoming AGM is part of a broader movement to redefine businesses’ tax strategies as matters of corporate social responsibility.

“What this will do is put tax on the radar for investors who have never thought about tax before,” says Katie Hepworth, responsible tax lead at Pensions & Investment Research Consultants, who is coordinating a shareholder effort to force Amazon to reveal how much tax it pays, and where.

The proposal was submitted in December by investors Missionary Oblates of Mary Immaculate, a Catholic organisation, and Greater Manchester Pension Fund, the largest local
authority pension fund in the UK, and is due to be put to a vote at Amazon's next annual general meeting, on 25 May.

It is the first resolution of its kind. “This is a watershed moment,” Hepworth tells Sustainable Views. “We're really keen now to get out the vote.”

**Tax and ESG**

A growing number of investors, academics, lawmakers and non-governmental organisations argue that big business owes the public a detailed account of its contributions to government revenues. Tax behaviour, they argue, is as much an issue of environmental, social and corporate governance as is a company's carbon footprint or its gender pay gap. In support of this argument, they cite the United Nations’ view that taxation is “a powerful tool” to help finance the UN's Sustainable Development Goals.

The Amazon resolution reflects the pressure this movement is starting to put on corporations. If successful, it would require the online retail giant to disclose its taxes in line with GRI 207, a global tax transparency standard.

“Transparency on the payment of taxes should be part of corporate disclosures for any large and listed companies,” says Ulrich Volz, professor of economics and director of the Centre for Sustainable Finance at SOAS, University of London. “Public reporting on tax payments and strategies enables stakeholders to assess a company's contributions to the public good. A company that dodges taxes by moving profits offshore is harming society, even if it's legal.”

Volz argues that a failure to disclose tax payments should reflect negatively on a company's ESG ratings, and calls GRI 207 “a good starting point” for encouraging greater transparency.

**Broad support**

GRI 207 is the most widely used standard for corporate tax transparency, and was drafted by representatives from business, civil society and academia. Global Reporting Initiative, the independent organisation behind the project, says it received 80 external contributions during the development phase. More than half of these came from investors collectively managing $2.5tn in assets, it says.

Among GRI 207’s requirements is that companies disclose how their approach to tax relates to their sustainable development strategies. Notably, it also requires companies to report their staff numbers, revenues, assets, profit/loss before tax, and corporate income tax payments for each country where they are registered to pay taxes.

Though GRI published the standard only in 2019, some major firms headquartered in Europe, including Vodafone and Philips, have already volunteered to follow its recommendations. GRI recorded more than 10,000 downloads of the standard from its website in 2021 – a further
sign, it says, of the movement’s growing influence.

“Tax transparency is a sensitive topic,” Dave Reubzaet, GRI director of capital markets and a former director of tax governance and sustainable tax at PwC, tells Sustainable Views. “We’re coming from another world, where it was all about minimising [corporate income tax payments], and now certainly we are talking about doing good and contributing. It has been an uphill battle,” he adds.

**SEC allows Amazon vote**

In 2020, several Danish companies faced shareholder resolutions requesting that their boards of directors assess the viability of publishing tax reports in line with GRI 207. The Amazon resolution is more aggressive: it requests full implementation of the GRI standard. With net sales of $470bn last year, Amazon is also far larger than any previous company targeted by a tax transparency resolution.

In reaction, Amazon petitioned the US Securities and Exchange Commission to allow the resolution’s dismissal without a vote, arguing its tax affairs were best left to its management. However, the two shareholders countered, in a letter to the regulator: “A company’s tax practices are financially material. Aggressive tax practices can expose a company – and its investors – to increased scrutiny from tax authorities, adjustment risks, and increase their vulnerability to changes in tax rules as countries look to protect their tax bases from deleterious practices.”

The SEC sided with the investors on 5 April. Hepworth, at Pensions & Investment Research Consultants, calls the decision “historic”, saying: “It paves the way for similar resolutions at other US companies in the second half of the year and next year.”

At Amazon, spokesperson Harry Staight declined to comment on whether the company is now campaigning for its shareholders to vote against the proposal. When asked how the group justifies its tax opacity, he said it now discloses its tax contribution in the US, the UK, Italy, France and Spain, but declined to answer when asked why not disclose payments for the other countries in which Amazon is registered to pay taxes.

**Lawmakers warm to tax transparency**

The idea of making large businesses publish their tax contributions is gaining ground in the EU, the US and the UN. Under EU rules, listed and large non-listed companies that are active in the oil, gas, mining or logging sectors must already report tax payments for each country where they operate.

Late last year, the EU passed a further directive that will compel all multinationals present in the union that have total consolidated revenue of more than €750mn to disclose their
income taxes by country. Member states have until June 2023 to transpose the directive into national legislation.

In the US, meanwhile, the Democrat-dominated House of Representatives narrowly passed the Disclosure of Tax Havens and Offshoring Act last year. That bill, which in its current form would mandate public disclosure of country-by-country financial reports by large corporations, will now be considered by the Republican-dominated Senate.

Also in 2021, the UN High-Level Panel for Financial Accountability, Transparency and Integrity (FACTI) published a report advocating for a new UN tax convention. FACTI recommended that the convention “improve tax transparency by having all private multinational entities publish accounting and financial information on a country-by-country basis”.

Deloitte tax consultant Mark Kennedy says corporations might welcome further regulation on tax transparency. “If that’s done in a globally consistent way which doesn’t impose a disproportionate burden on businesses, I would think that would be seen really positively by businesses themselves,” he tells Sustainable Views.

However, Kennedy - who advises executives on their tax policies - says that country-by-country reporting is “difficult” because it may lead to the disclosure of “potentially commercially sensitive information”.

“Companies would not necessarily see the case for making that information public,” he says. Amazon’s opposition to the shareholder resolution is a case in point.

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