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Press release

Tax avoidance: 40 major French listed companies questioned

Fiscal responsibility of the CAC 40:
Key findings of the unprecedented French SIF study

« tax strategy is an integral part of companies' social and extra-financial responsibility »

For the responsible investment community, tax policy is an essential dimension of CSR. At present, however, taxation too often represents a blind spot for corporate social responsibility. At a time when companies are increasingly claiming their commitment to contribute to Sustainable Development Goals, the FIR sends a strong signal to issuers to engage them in a reflection on their practices in terms of fiscal responsibility.

This campaign of dialogue and engagement on tax practices has taken the form of a survey to identify the tax responsibility policies already formalised by these major groups and to analyse their degree of maturity in relation to the expectations of the responsible investors community.

« *Through this first study dedicated to the fiscal citizenship of major groups, the FIR intends to remind that tax strategy is an integral part of corporate social and extra-financial responsibility. Investors will be increasingly attentive to the adoption of good practices in terms of commitment and transparency.* » says FIR Chairman Alexis Masse.

The FIR questioned CAC 40 companies by speaking directly to the presidents in place. While detailing the objectives of the FIR campaign, the letter included six questions about their tax strategy. The campaign was led by the FIR's Dialogue and Engagement Commission, whose members manage more than €4400 billion in assets.

The study makes seven recommendations and the commission is continuing this campaign through a written question on country-by-country reporting addressed to all CAC 40 companies at the 2020 general meetings.

Download the study

The FIR's recommendations for fiscal citizenship

1. The Board of Directors should be responsible for the company's tax governance.
2. The company's tax strategy must be integrated into its CSR strategy, and forms part of this strategy.
3. A responsible tax strategy goes beyond simply complying with laws and forbidding tax evasion practices. Tax responsibility reflects a company's commitment to pay taxes in the jurisdictions where it actually generates economic value. It is a contribution to public finances, necessary in particular for achieving Sustainable Development Goals (SDGs).
4. The guiding principles of tax responsibility (defined in 3) should be expressly described in a publicly available format, separate from the registration document, and easily accessible on the company's website. Drawn up in the form of a "tax responsibility charter", this information should be reviewed and approved by the Board of Directors. This charter is also designed to appear in the integrated report (or CSR report) and in the registration document.
5. The tax responsibility charter can draw on the principles and standards that apply in this area, i.e.:
    - Commitment to the Sustainable Development Goals (SDGs);
    - Adherence to OECD recommendations on combating tax base erosion;
    - Indication of the tax practices forbidden from use within the company and disclosure of the jurisdictions
    - considered as "tax havens", specifying the source of the list;
    - If the company has a presence in tax havens, the economic justification for its activities in these jurisdictions;
    - In the absence of such a justification, a commitment to withdraw from these tax havens;
    - Publication of an annual tax responsibility report.
6. An annual tax responsibility report should be published by the company, reflecting its application of the principles set out in its tax responsibility charter. This annual tax report may constitute a specific section of the statement of non-financial performance (DPEF).
7. The annual tax report should detail the taxes paid in each jurisdiction as well as elements enabling the user to put this information into perspective (revenues, profit, headcount, etc.). The report should indicate the factors explaining the difference between the theoretical tax rate and the effective tax rate. The report

should also enable the user to measure the progress made and the obstacles encountered with regard to the objectives set by the charter, via a list of predefined KPIs. The tax information should be published in a form that is intelligible and accessible to non-tax professionals (shareholders, investors, clients/consumers).

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About FIR:
The French Sustainable Investment Forum (FIR) is a non-profit and multi-stakeholder organisation, which brings together organisations and individuals interested in promoting SRI in France. Its main aims are to contribute to SRI public policy making, to support research initiatives in the field of SRI, to promote socially responsible and sustainable investment practices. The FIR's 110+ members represent most of the actors of the SRI « industry » in France and include Asset Owners, Asset Managers, ESG Rating Agencies, Unions, Associations, Academics and individuals interested in promoting the SRI business case. The FIR also runs the French Responsible Finance Week each fall and CorDial, a dialogue platform with large caps companies. The FIR is supporting with the AFG (French Asset Manager Association) and Eurosif the Transparency Code. This Code is now mandatory for all SRI funds on the French market. French SIF is also a founding Member of Eurosif. www.frenchsif.org