



CORPORATE TAX
RESPONSIBILITY
ETHOS ENGAGEMENT PAPER

© Ethos, October 2026

Version 1 published in September 2018

Any reproduction in full or in part requires the prior consent of the Ethos Foundation, Geneva. Any quotation must state the source.

Printed on 100 % recycled paper made from waste paper, certified «Blauer Engel».

www.ethosfund.ch

The **Ethos Foundation** is composed of more than 250 tax-exempt Swiss pension funds and institutions. Founded in 1997, its aim is to promote socially responsible investment and to foster a stable and prosperous socio-economic environment.

Signatory of:



Ethos Services provides advisory services in the field of socially responsible investments. Ethos Services offers socially responsible investment funds, analyses of shareholders' general meetings with voting recommendations, a program of dialogue with companies as well as environmental, social and corporate governance ratings and analyses. Ethos Services is owned by the Ethos Foundation and several members of the Foundation.



Table of contents

1.	BACKGROUND	3
1.1	TAX OPTIMISATION ISSUES	3
1.2	REPUTATIONAL RISK	3
1.3	FINANCIAL RISK	3
1.4	REFORM OF THE INTERNATIONAL TAX SYSTEM	4
1.5	MOBILISING INVESTORS AND COMPANIES	5
1.6	TAX COMPLIANCE AND HUMAN RIGHTS IN HIGH-RISK JURISDICTIONS	5
2.	ETHOS'S EXPECTATIONS	7
3.	CRITERIA FOR ASSESSING TAX POLICIES	11
4.	APPENDICES	13
4.1	OECD: THE BASE EROSION AND PROFIT SHIFTING (BEPS) ACTION PLAN	13
4.2	SWITZERLAND'S COMMITMENT	14
4.3	EUROPEAN UNION: CAPITAL REQUIREMENTS DIRECTIVE IV (CRD IV)	14
4.4	EXAMPLE OF CRD IV IN PRACTICE: THE BANKING SECTOR	14
4.5	EXAMPLE OF A TAX DILEMMA: TOTALENERGIES' WITHDRAWAL FROM MYANMAR	15



1. Background

The Ethos Foundation published its Engagement Paper on corporate tax responsibility in 2018, at a time when tax was still rarely regarded as a topic in its own right in sustainable and responsible investment. Ethos was thus a pioneer in placing tax responsibility among the governance and sustainability issues it raises in its dialogue with listed companies.

Since then, Ethos has engaged consistently with companies on this topic, with Swiss companies through its Ethos Engagement Pool Switzerland (EEP Switzerland) dialogue programme and with foreign companies through the Ethos Engagement Pool International (EEP International). Many listed companies have improved their tax transparency and tax governance, driven both by the shareholder dialogue conducted by Ethos and other responsible investors, as well as by tighter regulation. Nevertheless, these ongoing discussions show that there is still room for improvement.

This document is an update of the Engagement Paper and Ethos's expectations on corporate tax responsibility. It takes into account rapid regulatory developments, particularly at international level, changes in corporate practice, and a marked increase in social inequality. True to its approach, Ethos intends to pursue its constructive dialogue with companies and to encourage them to go beyond minimum legal requirements.

1.1 TAX OPTIMISATION ISSUES

The ability of states to fulfil their various missions depends to a large extent on all taxpayers, both individuals and organisations, contributing to the tax effort by paying their fair share of taxes. The tax revenues collected in this way fund government services in areas such as health, education, infrastructure, and defence.

Ethos believes that the board of directors of a listed company is responsible for establishing a responsible tax policy that ensures that the company pays taxes in the jurisdictions in which it conducts its business and generates its profits.

Tax optimisation is not necessarily illegal: nothing prevents a company from seeking to reduce its tax burden, whether to save money, develop its business, or pay dividends to its shareholders. However, some methods have been widely questioned internationally, to the point of becoming unjustifiable. They usually involve a company minimising its taxes by applying transfer prices different than the market price to intra-group transactions (that do not comply with the arm's length

principle), or by creating « artificial » structures in low-tax jurisdictions without conducting any economic activity there. This is known as aggressive tax planning.

Ethos believes, however, that legality alone is not a sufficient benchmark. In line with the OECD Guidelines for Multinational Enterprises, companies should comply with both the letter and the spirit of the tax laws of the countries in which they operate, that is, not only with the wording of the rules but also with the intention behind them. Arrangements that exploit loopholes, mismatches between national tax systems or the literal wording of a provision to obtain a tax advantage that lawmakers never intended may be technically legal, yet they defeat the purpose of the rules. This is why aggressive tax planning remains problematic even when it does not breach any law.

Institutional investors now pay closer attention to the tax strategies of the companies in which they invest. Certain practices pose a long-term risk to companies and their shareholders, both reputational and financial, for example in the event of a fine or a tax reassessment.

1.2 REPUTATIONAL RISK

Companies that engage in aggressive tax planning are exposed first and foremost to reputational damage. However, a company's reputation is a key asset, which some experts estimate at up to a quarter of its total value. It therefore seems essential for executive management and the board of directors to make compliance with international tax rules one of their priorities.

Paying a fair share of taxes should no longer be seen as a competitive disadvantage. On the contrary, companies can demonstrate good corporate citizenship and socially responsible conduct that build trust among employees, customers, investors, and all other stakeholders.

1.3 FINANCIAL RISK

While reputational risk is a major issue for companies, those that fail to comply with the tax rules of the countries in which they operate are also exposed to litigation and financial penalties from the relevant authorities.

The company risks additional tax assessments, and in some instances penalties, as recent cases have made clear. All these costs ultimately weigh on the company's results and therefore on its shareholders.

1.4 REFORM OF THE INTERNATIONAL TAX SYSTEM

In October 2015, the member countries of the Organisation for Economic Co-operation and Development (OECD) and the G20 approved a reform of the international tax system. The aim of the Base Erosion and Profit Shifting (BEPS) action plan (see Appendix 4.1) was to enable tax authorities to tackle effectively the erosion of the tax base and the transfer of profits internationally¹. In other words, the system aims to ensure that companies pay their taxes in the right place. One of the main measures of the BEPS action plan requires multinational companies with consolidated annual turnover of at least 750 million euros to introduce country-by-country reporting.

As an OECD member country, Switzerland actively participated in the development of the BEPS project. In January 2016, it signed a multilateral agreement on the automatic exchange of country-by-country reports between tax authorities. The text of this agreement and a new law were approved by the Federal Assembly on 16 June 2017 and entered into force in December 2017.

This work was significantly expanded in 2021 with the « BEPS 2.0 » project, built around two pillars. Pillar One aims to reallocate part of the taxing rights over the largest groups to market jurisdictions, but its implementation remains blocked at international level for the time being. Pillar Two introduces a 15% global minimum effective tax rate for multinational groups with consolidated annual turnover of at least 750 million euros.

Switzerland introduced this minimum taxation by ordinance, on the basis of a constitutional amendment approved in a popular vote in 2023. The national top-up tax (Qualified Domestic Minimum Top-up Tax) entered into force on 1 January 2024, and the international top-up tax based on the Income Inclusion Rule on 1 January 2025. However, the Federal Council has postponed the introduction of the Undertaxed Profits Rule until further notice².

The framework nevertheless remains fragile internationally. Following the withdrawal of the United States from the global minimum tax agreement, the OECD adopted a so-called « side-by-side » solution in January 2026, under which US groups may be exempted from the Income Inclusion Rule and the Undertaxed Profits Rule for financial years beginning on or after 1 January 2026, while the national top-up tax continues to apply to them. This development shows that international tax harmonisation is still unfinished and that the responsibility of companies remains as important as ever.

At the same time, tax transparency has shifted from reporting to the authorities alone towards public disclosure. In November 2021, the European Union (EU) adopted Directive (EU) 2021/2101 on the disclosure of income tax information³, requiring groups with a turnover exceeding 750 million euros to publish their country-by-country reports for financial years beginning on or after 22 June 2024. For groups whose financial year follows the calendar year, the first report covers the 2025 financial year and must be published by the end of 2026.

In practice, the EU directive neither creates a new tax nor changes the rules on the tax base: it amends the EU Accounting Directive, turning what was previously a confidential report submitted only to tax administrations into a public disclosure requirement. The relevant groups must make the following available on their website and in a public register: the nature of their activities, the number of employees, turnover, profit or loss before tax, income tax accrued and income tax actually paid, and accumulated earnings.

However, the required level of detail remains partial. Data only has to be broken down by country for EU member states and for jurisdictions on the EU list of non-cooperative jurisdictions for tax purposes (or on the « grey list » for two consecutive years). For all other third countries, an aggregated figure is sufficient. Moreover, the directive only covers corporate income tax, excluding other contributions paid to public authorities, and allows companies to temporarily omit, for up to five years, information whose disclosure would seriously harm their commercial position. It is therefore considerably less demanding than the GRI 207 standard, which provides for truly global disclosure (see next page).

Swiss companies are directly affected, even though Switzerland is not bound by the directive. A Swiss group with consolidated turnover exceeding 750 million euros falls within its scope as soon as it holds a medium-sized or large subsidiary in the EU, i.e. one that meets two of the following three criteria in two consecutive financial years:

- Total assets above 5 million euros
- Net turnover above 10 million euros
- An average of more than 50 employees

Member states may raise these thresholds. Disclosure is then the responsibility of the EU entity, unless the Swiss parent company publishes the report on its own website and designates a responsible EU entity. If the parent company does not provide the necessary data, the EU subsidiary must publish a statement reporting this refusal. As several member states transposed the

¹ <https://www.oecd.org/en/topics/policy-issues/base-erosion-and-profit-shifting-beps.html>

² Federal Department of Finance, « Mise en œuvre en Suisse de l'imposition minimale prévue par l'OCDE », <https://www.efd.admin.ch/fr/imposition-minimale-prevue-ocde>;

State Secretariat for International Finance, « Imposition de l'économie numérique », <https://www.sif.admin.ch/fr/imposition-economie-numerique>.

³ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021L2101>

directive with early application, some Swiss groups have already had to publish their first data.

Finally, Australia has adopted a comparable mandatory public disclosure regime, largely based on the GRI 207 standard, which will apply to financial years beginning on or after 1 July 2024.

1.5 MOBILISING INVESTORS AND COMPANIES

Norges Bank Investment Management (NBIM), which manages the assets of the world's largest sovereign wealth fund, published a document summarising its expectations of listed companies in April 2017 and updated it in 2023⁴. NBIM set out the following three expectations:

- Taxes should be paid where economic value is created.
- The board of directors is responsible for the company's tax policy.
- Companies should publish their country-by-country reports.

In February 2018, the B Team, a non-profit initiative bringing together business leaders and civil society representatives who seek to promote more environmentally and socially responsible business practices, published a document entitled « A New Bar for Responsible Tax »⁵, which set out seven principles of corporate tax responsibility. These principles include the following:

- The board of directors is responsible for the tax policy.
- Companies publish their tax policy and are transparent about its implementation.
- Companies commit to creating entities for commercial purposes only.
- Companies publish information on effective tax rates and on taxes paid where they operate.

As of May 2025, 28 companies from a range of sectors and countries had formally adopted these principles and were assessing their implementation through an accountability report published by the B Team⁶.

Tax reporting standards have also advanced since 2018. At the end of 2019, the Global Reporting Initiative (GRI) published GRI 207, the first global standard for tax transparency, applicable to reports published from 2021. It covers the company's approach to tax, its tax governance and risk management, stakeholder engagement, and country-by-country reporting. According to an analysis published in May 2024, 26% of the world's 1'000 largest companies referred to it, but only a minority of them actually published country-by-country data⁷.

Investor mobilisation has also intensified. The Principles for Responsible Investment (PRI) consider tax risk to be financially material⁸, and several investor coalitions representing trillions of dollars in assets have publicly expressed their support for the disclosure of country-by-country reports⁹. In recent years, shareholder resolutions requesting a tax transparency report aligned with the GRI 207 standard have also been filed at the general meetings of large listed companies, particularly in the United States.

For Ethos, listed companies must now adopt good practice in tax responsibility and transparency across the board. As early as 2018, Ethos was mandated by the members of the EEP Switzerland dialogue programme to engage with listed companies in Switzerland on this topic. The following chapter summarises Ethos's expectations on corporate tax transparency and responsibility.

1.6 TAX COMPLIANCE AND HUMAN RIGHTS IN HIGH-RISK JURISDICTIONS

The expectations set out in this document rest on an assumption shared by the main reference frameworks on responsible taxation: tax paid to states serves the public interest. In the vast majority of cases, this assumption is correct. Tax revenues fund public services, help to reduce inequality, and strengthen the rule of law; they thus support the institutions on which the realisation of human rights depends.

⁴ <https://www.nbim.no/contentassets/48b3ea4218e44caab5f2a1f56992f67e/expectations-document---tax-and-transparency---norges-bank-investment-management.pdf>

⁵ <https://the-bteam.files.svdcn.com/production/assets/reports/A-New-Bar-for-Responsible-Tax.pdf>

⁶ <https://www.bteam.org/our-thinking/reports/the-b-team-responsible-tax-principles-accountability-and-impact-report-2025>

⁷ https://www.globalreporting.org/media/2tinc4tc/gri_207_adoption_study-1.pdf; GRI 207: Tax 2019, <https://www.globalreporting.org/pdf.ashx?id=12434>

⁸ PRI, « What is tax fairness and what does it mean for investors? », discussion paper, 2021, <https://www.unpri.org/governance-issues/what-is-tax-fairness-and-what-does-it-mean-for-investors/9077.article>.

⁹ Oxfam America, « Methodological note and list of investors: \$10 trillion AUM in support of CbCR », May 2023, https://webassets.oxfamamerica.org/media/documents/10tril_AUM_Methodology_Note.pdf

FACT Coalition, petition to the SEC on behalf of 87 institutional investors representing more than 2.3 trillion US dollars in assets, July 2024, <https://www.sec.gov/files/rules/petitions/2024/petn4-835.pdf>.

However, this assumption becomes difficult to sustain when tax revenues accrue to a regime, or to entities it controls, that has been credibly accused by international bodies of serious and systematic human rights violations. The obligation to comply with local tax law and the objective of not contributing to human rights abuses may then conflict. A company that is fully compliant in tax terms may thus legitimately be questioned about how the taxes it pays are used.

TotalEnergies' withdrawal from Myanmar in 2022 illustrates this impasse (see Appendix 4.5). This shows that withdrawal, often presented as the responsible response, does not necessarily reduce a regime's access to the revenues generated by an asset: both withdrawal and continued operation carry their own risks. Nevertheless, existing frameworks, such as the UN Guiding Principles on Business and Human Rights (UNGP), the OECD Guidelines for Multinational Enterprises, the BEPS standards, or the EU Corporate Sustainability Due Diligence Directive (CSDDD), currently offer little concrete guidance on the tax dimension of such situations.

2. Ethos's expectations

The Ethos Foundation aims to promote socially responsible investment and to foster a stable and prosperous socio-economic environment for current and future generations. It therefore places particular importance on business ethics and good governance.

On tax responsibility, Ethos therefore encourages companies to implement a responsible and transparent tax policy and to commit to paying their taxes in the countries where they operate and make profits.

Companies have many opportunities to reduce their tax bill and optimise their taxes through entirely legal deductions. However, Ethos believes that they should not resort to complex and opaque arrangements or artificially move profits from one country to another for tax reasons. Paying one's fair share of taxes is a central element of corporate social responsibility.

First published in 2018, this Engagement Paper was updated in October 2026 so that Ethos's expectations reflect the regulatory and market developments described in the previous chapter. The titles of Principles 1 and 2 have been reworded accordingly, and the expectations under all five principles have been clarified. The resulting requirements are set out below and summarised in chapter 3 as a list of questions that allow Ethos to assess companies' tax responsibility policies in concrete terms.

ETHOS'S FIVE PRINCIPLES OF A RESPONSIBLE TAX POLICY

1. Responsibility for the tax policy rests with the board of directors, reflecting tax as an integral part of the company's business and sustainability strategy
2. The company establishes and publishes principles of tax responsibility, ensuring that rigorous and independent control mechanisms are in place
3. The company pays its taxes where economic value is created
4. Intra-group transactions are carried out under market conditions
5. The company publishes the amount of taxes paid, country-by-country

PRINCIPLE 1: RESPONSIBILITY FOR THE TAX POLICY RESTS WITH THE BOARD OF DIRECTORS, REFLECTING TAX AS AN INTEGRAL PART OF THE COMPANY'S BUSINESS AND SUSTAINABILITY STRATEGY

Defining a company's tax policy is the responsibility of the board of directors. The board must ensure that tax arrangements are negotiated and established in the interests of all stakeholders and geared towards long-term value creation.

The board of directors must also ensure that the tax policy is implemented in line with the defined principles. It may delegate this task to the audit committee, which must then pay particular attention to intra-group arrangements so that they respect market conditions and do not aim to reduce the tax burden unduly.

Ethos also expects companies to publish a group-wide tax policy and to explicitly state which governing body, the board of directors or the audit committee, assumes formal responsibility for it. A member of the executive management must be responsible for implementing the tax policy, or the tax function must report directly to a member of the executive management.

Finally, the company should explain how its tax policy supports its broader sustainability objectives, since tax is a direct contribution to the communities in which it operates.

If the company has subsidiaries in countries controlled by regimes credibly accused by international bodies of serious and systematic human rights violations, the board of directors must ensure that its tax contributions do not actively help to finance these violations. In addition, companies should be as transparent as possible about the dilemmas they face, the trade-offs they make, and the mitigation measures they take. They should also contribute to the development of practical guidance for such situations alongside the relevant institutions and multi-stakeholder initiatives. Finally, in case of doubt, the board of directors should regularly reassess the company's presence in these countries and its indirect support for such regimes.

PRINCIPLE 2: THE COMPANY ESTABLISHES AND PUBLISHES PRINCIPLES OF TAX RESPONSIBILITY, ENSURING THAT RIGOROUS AND INDEPENDENT CONTROL MECHANISMS ARE IN PLACE

The fundamental principles of the tax policy should be embedded in the company's code of conduct, which formally sets out its values and the framework within which it conducts its business. Companies must commit not to create or maintain entities for tax reasons only, by making a clear negative statement under a specific point in the code.

Employees must sign the code of conduct and receive training on its tax principles, with dedicated and regular training for staff in the tax and finance functions. The tax policy should in turn refer explicitly to the principles of the code of conduct, so that tax practices are clearly aligned with the company's broader commitments. It is also good practice for the code of conduct to provide procedures for reporting possible violations confidentially and without risk of retaliation.

Incorporating the principles of tax responsibility into the code of conduct is therefore the best guarantee of their effective implementation throughout the company.

This must be accompanied by the publication of the group-wide tax policy (see Principle 1), which sets out the company's principles of tax responsibility. The tax policy should also present the tax governance and tax control framework in place. In particular, Ethos expects companies to describe their approach to tax risks, explaining how these risks are identified, managed, and monitored, as well as the assurance process (internal or external) over their voluntary tax disclosures.

Finally, companies should describe their approach to engaging with tax authorities, including their participation in cooperative compliance programmes and any use of advance pricing agreements (APAs) or advance rulings.

PRINCIPLE 3: THE COMPANY PAYS ITS TAXES WHERE ECONOMIC VALUE IS CREATED

The tax policy must promote prudent, responsible, and transparent conduct that refrains from aggressive tax planning. This implies that the company pays its taxes where economic value is created and where the real substance of its activities lies.

This principle is fundamental and precludes any artificial transfer of profits to low-tax jurisdictions that is not supported by genuine economic activity.

Ethos expects companies to make an explicit public commitment to pay taxes where economic value is created and where the real substance of their activities lie, and to comply with both the letter and the spirit of tax laws and regulations in all countries in which they operate. This commitment must be complemented by an

explanation of the company's approach to tax planning and an explicit commitment not to pursue aggressive tax strategies (negative statement).

With the entry into force of the 15% global minimum effective tax rate under Pillar Two of the BEPS 2.0 project (see section 1.4), the company should also disclose the impact of the resulting top-up tax on the group's tax expense and effective tax rate (ETR).

PRINCIPLE 4: INTRA-GROUP TRANSACTIONS ARE CARRIED OUT UNDER MARKET CONDITIONS

In companies organised as a group, particular attention must be paid to transactions between group entities.

All these intra-group transactions must be carried out under market conditions, in accordance with the arm's length principle. Since 1995, this principle has been codified in the OECD Transfer Pricing Guidelines, which were revised in 2010 and again in 2017 to incorporate the work of the BEPS action plan. The latest edition dates from January 2022. The Guidelines are the international reference for both tax administrations and multinational groups (see Appendix 4.1). Applying the arm's length principle helps prevent intra-group pricing that do not reflect economic reality, whereby costs are shifted to high-tax entities and profits to companies or jurisdictions with particularly favourable tax conditions.

Ethos therefore expects companies to publicly disclose their transfer pricing approach or policy, and to confirm that all intra-group transactions are conducted at arm's length, in accordance with the OECD Transfer Pricing Guidelines.

The company should also state that it has no operations in low-tax jurisdictions or, failing that, commit that all entities it creates or maintains serve a genuine commercial purpose, and do not involve any « artificial » tax structures. Finally, the company should mention any tax incentives it benefits from.

PRINCIPLE 5: THE COMPANY PUBLISHES THE AMOUNT OF TAXES PAID, COUNTRY-BY-COUNTRY

Given how much public finances depend on corporate taxes, it is now good practice for companies to disclose the taxes they pay in each country where they operate. Such transparency helps to deter aggressive tax planning and profit shifting, both of which thrive on opacity.

The obligation to publish country-by-country reporting was enshrined in EU law by Directive (EU) 2021/2101 of 24 November 2021 and applies to financial years beginning on or after 22 June 2024 (see section 1.4).

Publishing country-by-country reports allows not only the relevant authorities to detect possible irregularities, but also other stakeholders to become aware of the situation and, if necessary, question the board of directors. The board may then be required to justify establishing a tax domicile in a country where the company has very few operations or employees.

Disclosure of the taxes paid country by country also enables shareholders to ensure that the companies in which they have invested comply with both the letter and the spirit of the law of the countries in which they operate. For companies, it helps to avoid reputational damage and fines.

Finally, publishing country-by-country reports provides transparency and encourages self-regulation by distinguishing good from bad practice. Such disclosure helps companies build stakeholder trust and put their tax responsibility strategy into practice.

In practice, Ethos expects companies to publish country-by-country data in accordance with the OECD Country-by-Country Reporting (CbCR) template. If the company does not publish all this data, it should at least disclose the corporate income tax paid in each country where it operates.

Good practice involves going beyond the compliance obligations by providing narrative alongside the figures and extending disclosure to the total tax contribution, i.e. the taxes borne by the company (total tax paid) and those it collects on behalf of other taxpayers (additional tax remitted). Finally, the company should disclose its ETR by jurisdiction and provide a transparent explanation of any significant deviations from the applicable statutory rate.



3. Criteria for assessing tax policies

The questions below translate the principles set out in the previous chapter into concrete assessment criteria and are grouped by principle accordingly. Ethos relies on them, among other things, to assess companies' performance on tax responsibility, both when reviewing their disclosures and in its dialogue with them. The list is not exhaustive as other questions or indicators may also be taken into account, and the framework may be expanded as practices and regulations evolve.

PRINCIPLE 1

- Does the company publish a group-wide tax policy?
- Does the company explicitly state which governing body, the board of directors or the audit committee, assumes formal responsibility for the tax policy?
- Is a member of the executive management responsible for implementing the tax policy, or does the tax function report directly to a member of the executive management?
- Does the company link its tax policy to how it supports the organisation's broader sustainability objectives?

PRINCIPLE 2

- Do the fundamental principles of the tax policy feature in the company's code of conduct?
- Does the company have a formalised, documented tax control framework?
- Does the company describe its approach to tax risks, including how risks are identified, managed, and monitored?
- Has the company provided a description of the assurance process (external) over its voluntary tax disclosures?
- Does the company describe its approach to engagement with tax authorities, including any participation in cooperative compliance programmes or use of APAs, advance rulings or pre-filing agreements?

PRINCIPLE 3

- Does the company make an explicit public commitment to paying taxes where economic value is created and where the real substance of its activities lies?
- Does the company publicly commit to complying with both the letter and the spirit of tax laws and regulations in all countries of operation?
- Does the company explain its approach to tax planning and/or disclose an explicit commitment not to pursue aggressive tax strategies?
- Does the company disclose the impact of the Pillar Two top-up tax (15% global minimum effective tax rate) on the group's tax expense and ETR?

PRINCIPLE 4

- Does the company publicly disclose its approach to or policy on transfer pricing?
- Does the company confirm that all intra-group transactions are conducted at arm's length, in line with the OECD Transfer Pricing Guidelines?
- Does the company state that it either has no operations in low-tax jurisdictions or that all entities it creates or maintains serve a genuine commercial purpose, with no « artificial » tax structures?
- Does the company mention the tax incentives it benefits from?

PRINCIPLE 5

- Does the company publish country-by-country data in line with the OECD CbCR template (jurisdictions below 5% of group revenues and profit before tax may be aggregated)?
- Where the company does not publish all OECD CbCR data points, does it disclose the corporate income tax paid in every country in which it operates?
- Where the company does not publish country-by-country data, does it provide alternative information on the income tax paid by region or main countries?
- Does the country-by-country disclosure go beyond the compliance obligations, e.g. by providing a narrative?
- Does the company's country-by-country publication go beyond corporate income tax to include the total tax contribution, i.e. the taxes borne by the company (total tax paid) and those it collects on behalf of other taxpayers (additional tax remitted)?
- Does the company disclose its ETR for its material jurisdictions and provide a transparent explanation of significant deviations from the applicable statutory rate?

4. Appendices

4.1 OECD: THE BASE EROSION AND PROFIT SHIFTING (BEPS) ACTION PLAN

Developed by the OECD, the BEPS action plan aims to prevent the erosion of the tax base and the international transfer of profits through 15 separate actions. Action 13 is one of the key points of the project. It requires companies to provide transfer pricing documentation and to introduce country-by-country reporting for companies with consolidated annual turnover of at least 750 million euros.

The OECD argues that if some companies manage to evade their tax obligations, it is largely because of the lack of transparency surrounding the activities of their subsidiaries. The purpose of country-by-country reporting is therefore to give the relevant authorities a global view of companies' activities and, consequently, to enable them to assess whether the taxes the companies pay in each jurisdiction reflect the reality of their local economic activity.

Since 2018, all OECD and G20 countries, as well as several developing countries, have committed to implement country-by-country reporting, whether under bilateral or multilateral conventions, or automatic data exchange agreements.

The first exchanges of such reports between states took place in 2018, covering the 2016 tax year. Since then, the parent entity of a group operating in several jurisdictions has filed a country-by-country report each year with the tax administration where the company is headquartered. This administration then shares the report with the administrations of the other jurisdictions in which the group operates.

The OECD's work has since been extended with the BEPS 2.0 project, built around a second pillar that introduces a 15% global minimum effective tax rate for groups exceeding the same threshold of 750 million euros in consolidated turnover.

TRANSFER PRICING

One of the most common practices of companies that use aggressive tax optimisation is transfer price manipulation. Transfer prices are the prices the company assigns to the goods and services exchanged between group entities (intra-group exchanges). They are therefore not governed by market forces, but are instead set by entities belonging to the same group.

For the authorities, the risk is that companies manipulate these prices for purely tax reasons. For example, a subsidiary of a mining company could undercharge its parent company, located in a more attractive tax jurisdiction for the sale of minerals in order to inflate the parent company's profits at the subsidiary's expense. Conversely, the transport and production costs charged by the parent company to its subsidiary could be inflated to reduce the subsidiary's profits. It is therefore not surprising that transfer pricing lies at the heart of the BEPS action plan.

The OECD's objective is twofold: to avoid the double taxation of companies while ensuring that they pay their fair share of taxes in each country in which they operate. To this end, companies are expected to comply with the arm's length principle; in other words, to apply market prices to their intra-group transactions.

Action 13 of the BEPS action plan therefore recommends that states require companies to document and report information on their activities and transfer pricing policy. The information included in country-by-country reports enables tax authorities to determine whether companies have set transfer prices with the aim of artificially shifting profits to jurisdictions with more attractive tax regimes.

4.2 SWITZERLAND'S COMMITMENT

As an OECD member country, Switzerland actively participated in the development of the BEPS action plan. In January 2016, it signed a multilateral agreement on the exchange of country-by-country reports (signed by 118 jurisdictions as of 29 July 2026¹⁰). The text of this agreement and a new law were approved by the Federal Assembly on 16 June 2017. As no referendum was called within the deadline, both texts entered into force on 1 December 2017.

The bill was generally well received during the parliamentary process¹¹, particularly given that Switzerland has always adhered to the minimum required by the OECD. The law only applies to companies with annual turnover of at least 750 million euros (around 200 companies). Moreover, the law guarantees the confidentiality of the data provided by companies, which can only be exchanged between tax administrations¹².

By the end of 2017, Switzerland had around 50 partner states. This network has since expanded considerably, with exchanges of country-by-country reports beginning in 2020. Multinational companies based in Switzerland prepared their first reports for the 2018 tax year¹³.

INFORMATION TO BE INCLUDED IN THE COUNTRY-BY-COUNTRY REPORT ACCORDING TO THE OECD

1. Revenues (total as well as the split for related and unrelated party)
2. Profit (or loss) before income tax
3. Income tax paid (on cash basis)
4. Income tax accrued
5. Number of employees
6. Stated capital
7. Accumulated earnings

4.3 EUROPEAN UNION: CAPITAL REQUIREMENTS DIRECTIVE IV (CRD IV)

Within the EU, banks and investment firms have been required to publish details of their tax payments on a country-by-country basis since the adoption of the CRD IV directive in 2013¹⁴. In April 2016, the European Commission decided to extend this practice to all multinational enterprises, in line with the BEPS project. A draft directive was adopted by the European Parliament on 4 July 2017.

While the EU framework also only covers companies with turnover exceeding 750 million euros in the last two consecutive financial years, it goes further than the OECD standard on one key point: country-by-country disclosure must be made in a public register as well as on the companies' website, and the report must stay accessible for at least five years.

This project led to the adoption of Directive (EU) 2021/2101 on 24 November 2021, applicable to financial years beginning on or after 22 June 2024. The final text includes the safeguard clause envisaged at the time: companies may omit temporarily, for up to five years, information whose disclosure would seriously harm their commercial position. The required level of detail also remains partial, as data only has to be broken down by country for EU member states and for jurisdictions on the EU lists of non-cooperative jurisdictions.

4.4 EXAMPLE OF CRD IV IN PRACTICE: THE BANKING SECTOR

European banks are a concrete example of the country-by-country reporting principle in practice. Since the adoption of the CRD IV directive in 2013, all banks operating in the EU (including the UBS entities established there, as well as those of Credit Suisse until its takeover in 2023) have had to publish each year, for every country in which they are established, the name and nature of the activities of their subsidiaries and branches, turnover, number of employees, profit or loss before tax, the amount of tax, and any subsidies received.

This transparency has revealed that some banks use their branches in low-tax countries to report large profits there. According to a study published in March 2017 by Oxfam, a non-governmental organisation fighting poverty, Europe's 20 largest banks generated 26% of their 2015 profits in countries considered to be tax havens, whereas these countries accounted for only 12% of their European turnover and 7% of their staff¹⁵.

¹⁰ <https://www.oecd.org/tax/automatic-exchange/about-automatic-exchange/CbC-MCAA-Signatories.pdf>

¹¹ <https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-64643.html>

¹² <https://www.admin.ch/opc/fr/federal-gazette/2017/3977.pdf>

¹³ <https://www.estv.admin.ch/fr/declaration-pays-par-pays-cbcr>

¹⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0036>

¹⁵ https://www-cdn.oxfam.org/s3fs-public/bp-opening-vaults-banks-tax-havens-270317-en_0.pdf

The publication of these reports has also enabled Oxfam to demonstrate that not all banks behave in the same way. While some still resort to aggressive tax optimisation, others comply with the new rules of good practice.

4.5 EXAMPLE OF A TAX DILEMMA: TOTALENERGIES' WITHDRAWAL FROM MYANMAR

Following the military coup in Myanmar in February 2021, TotalEnergies, operator of the Yadana gas field, faced a direct dilemma between its tax obligations and the risk of financing a regime accused of serious human rights violations.

The group considered that it could not suspend its tax payments without exposing its local management to criminal prosecution under Myanmar law¹⁶. It explored the option of paying these amounts into an escrow account, but could not find a legally recognised counterparty to do so. As a partial mitigation measure, it paid human rights organisations active in Myanmar an amount equivalent to the taxes paid to the state.

TotalEnergies also called on Western governments to adopt targeted sanctions, which would have provided a legal basis for non-payment and allowed an escrow mechanism to be set up. These sanctions were not adopted. The group withdrew from the project in 2022 without financial compensation. Its stake was distributed among the remaining partners, including the state-owned company controlled by the junta, whose share of the field's revenues increased as a result.

This case shows that, even when carried out responsibly, withdrawal may not reduce a regime's access to an asset's revenues. It also illustrates the absence of a recognised solution when tax compliance conflicts with respect for human rights.

¹⁶ <https://totalenergies.com/news/news/why-totalenergies-leaving-myanmar>

Headquarters
Place de Pont-Rouge 1
P.O. Box 1051
1211 Geneva 26

Zurich Office
Glockengasse 18
8001 Zurich

info@ethosfund.ch
www.ethosfund.ch
T +41 58 201 89 89