VBDO

TAX

A comparative study of 76 Dutch listed companies

TRANSPARENCY BENCHMARK 2017

pwc

Tax Transparency Benchmark 2017

A comparative study of 76 Dutch listed companies

Authors:
Rudy Verstappen (VBDO) I Tjeerd van den Berg I Hifsa Younus (PwC)

Input and support:

Angélique Laskewitz I Joël Dori (VBDO) I Eelco van der Enden I Dave Reubzaet
Manon van Aalst I Leonie Kamp (PwC)

For information:
Please contact Rudy Verstappen I Senior Project Manager Responsible Investment
rudy.verstappen@vbdo.nl I +31 (0)30-234003 I www.vbdo.nl

Dutch Association of Investors for Sustainable Development (VBDO)
Utrecht I the Netherlands

November 2017

This report has been made possible thanks to the contribution of:
PwC the Netherlands

This publication was exclusively prepared as a general guideline for relevant issues, and should not be interpreted as professional advice. You should not act on the basis of the information contained in this publication without obtaining further professional advice. No explicit or implicit statement is made or guarantee offered in respect of the correctness or completeness of the information contained in this publication and, insofar as permitted by law, PricewaterhouseCoopers Belastingadviseurs N.V. and the Dutch Association of Investors for Sustainable Development (VBDO), its employees and representatives accept no liability whatsoever for the consequences of any action or omission made by yourself or any other person on the basis of the information contained in this publication or for any decision based on that information.

© 2017 PricewaterhouseCoopers Belastingadviseurs N.V. (KvK 34180284) and VBDO (KvK 40538966). All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

The contents, conclusions and recommendations of the report are the sole responsibility of the VBDO.

Contents

Preface

Angélique Laskewitz

The recent revelations in the *Paradise Papers* showed it is imperative companies have to make a shift towards more responsible fiscal behaviour. It is almost naïve to think that evasive fiscal practices will remain hidden forever and will not be disclosed in the (near) future. Companies should, therefore, not wait for other '*leaks*' or '*papers*' to be published, but take a more pro-active stance by becoming more transparent about their fiscal activities.

Furthermore, fiscal transparency is merely the first step towards more responsible behaviour. Companies ought to align their tax strategy with the corporate social responsibility strategy of the company. Not only to send out a consistent message about the company, but also to contribute their fair share to the societies in which they operate.

VBDO is proud to present the "Tax Transparency Benchmark 2017", which provides an overview on transparency of Dutch listed companies with respect to their fiscal activities. It is encouraging to observe Dutch companies in general are gradually becoming more transparent. However, large differences between the leaders and the laggards exist. We spirit the laggards to follow suit on transparent tax activities.

The VBDO is aiming for capital markets to become more sustainable and we encourage institutional investors to use this benchmark in their engagement activities and investment decisions.

This study was conducted for the third year based on a similar methodology. We continue adjusting our benchmark to reflect the latest developments and we are glad to receive your feedback.

I want to thank PwC in the Netherlands for their on-going support for this important topic and the effective collaboration on this research. Also, I would like to thank the participating companies for their valuable contributions. I look forward to nudge the debate with respect to transparent and sustainable taxation.

Angélique Laskewitz
Executive Director VBDO

Tax Transparency Benchmark 2017

Overall ranking

Ranking	Company	Listing	2017	2016	2015
1	DSM	AEX	28	28	21
1	Vopak	AEX	28	15	4
2	Aegon	AEX	25	21	14
2	KPN	AEX	25	20	22
2	Unilever	AEX	25	25	22
3	Rabobank	-	24	20	18
4	ABN AMRO	AEX	23	19	-
5	Van Lanschot	AScX	22	16	16
6	NN Group	AEX	21	20	3
6	PostNL	AMX	21	17	6
6	Randstad	AEX	21	22	17
6	RELX	AEX	21	15	11
6	Vastned	AMX	21	20	7
6	Kendrion	AScX	21	19	18
7	TKH Group	AMX	20	8	2
7	Wessanen	AScX	20	16	16
7	Heineken	AEX	20	19	18
8	Flow Traders	AMX	19	16	-
9	BAM Group	AMX	18	17	14
9	BinckBank	AScX	18	19	5
9	Delta Lloyd Group **	AMX	18	17	10
9	ING Group	AEX	18	20	19
10	Ahold Delhaize	AEX	17	18	11
10	AkzoNobel	AEX	17	14	15
10	Arcadis	AMX	17	15	14
10	Ordina	AScX	17	11	4
10	Unibail-Rodamco	AEX	17	11	-
10	Wolters Kluwer	AEX	17	14	10
11	AMG	AScX	16	4	6
11	Shell	AEX	16	23	20
11	Telegraaf Media Group	AScX	16	16	3
12	ASML	AEX	15	15	10
12	Corbion	AMX	15	17	6
12	Philips	AEX	15	18	18
12	Grandvision	AMX	15	11	-
13	Aalberts Industries	AEX	14	6	1
13	Brunel	AScX	14	17	12
13	TomTom	AMX	14	4	-
14	Aperam	AMX	12	9	5

Figure 1: Overall ranking of 76 companies on tax transparency

Ranking	Company	Listing	2017	2016	2015
14	Fugro	AMX	12	11	10
14	KAS Bank	AScX	12	13	7
14	SBM Offshore	AEX	12	14	5
15	Achmea	-	11	11	-
15	Amsterdam Commodities	AScX	11	8	1
15	ASM International	AMX	11	17	5
15	Boskalis Westminster	AEX	11	13	8
15	Nedap	AScX	11	1	1
15	Wereldhave	AMX	11	9	10
16	Gemalto	AEX	10	10	10
16	Philips Lighting (*)	AMX	10	-	-
17	Basic Fit (*)	AScX	9	-	-
17	Beter Bed	AScX	9	11	9
17	ForFarmers (*)	AScX	9	-	-
17	Refresco Gerber (*)	AMX	9	-	-
18	ArcelorMittal	AEX	8	8	5
18	BE Semiconductor Industries	AMX	8	8	7
18	Heijmans	AScX	8	6	4
18	IMCD	AMX	8	9	-
18	NSI	AScX	8	10	9
19	Altice	AEX	7	5	-
19	ASR	AMX	7	11	-
19	Eurocommercial Properties	AMX	7	8	3
19	OCI Nitrogen	AMX	7	10	7
19	Sligro	AMX	7	9	7
20	Accell Group	AScX	6	1	2
21	Fagron (*)	AScX	5	-	-
21	Galapagos	AEX	5	3	-
21	Intertrust	AMX	5	6	-
21	WDP	AMX	5	2	-
22	Air France - KLM	AMX	4	3	3
22	Lucas Bols (*)	AScX	4	-	-
22	Takeaway.com (*) ***	AScX	4	-	-
23	Probiodrug (*)	AScX	3	-	-
23	Sif Holding (*)	AScX	3	-	-
24	ICT Automatisering (*)	AScX	2	-	-
24	Stern Group (*)	AScX	2	-	-

* Companies that are included in the benchmark for the first time

** As Delta Lloyd was acquired by NN Group during 2017 it will not be mentioned as an individual company in the 2018 benchmark and onwards.

*** Takeaway.com was listed on the AScX-index as per Q4 of 2016

Executive Summary

For the third consecutive year we present the Tax Transparency Benchmark. In this report, the results of the 2017 edition are being presented, in which 76 Dutch multinational companies are ranked on the transparency which they provide regarding their tax strategy and its implementation. The aim of the benchmark is to enhance the existing understanding of corporate tax responsibility, and inspire on how to communicate comprehensively on tax issues in publicly available documentation.

The average transparency rating of the companies in scope increased from 32% in the benchmark of 2016 to 36% in 2017[1]. However, significant room for improvement is feasible, as the average score is below 50% of the total points. The number of companies scoring a minimal amount of points (0 – 10) remained the same at 37%. The response rate of 71% of this year's study remained almost the same as last year's 72%.

This year's winner of the Tax Transparency Award 2017 is **DSM**. This company once again proved to be the top scoring company in the benchmark and performed well on all principles. Furthermore, the independent jury has noted the impressive improvement of **Vopak**, **AMG** and **TKH Group** in the Tax Transparency Benchmark 2017 compared to last year.

The methodology of this benchmark is based on the six Good Tax Governance principles, which were published in 2014 by the VBDO and Oikos. (VBDO & Oikos, 2014). This executive summary covers the most significant conclusions for each principle implemented in this years' benchmark.

		Benchmark		
		2017	2016	2015
A	Define and communicate a clear strategy	47%	40%	29%
B	Tax must be aligned with the business and is not a profit centre by itself	33%	34%	17%
C	Respect the spirit of the law. Tax compliant behaviour is the norm	34%	24%	14%
D	Know and manage tax risks	54%	47%	41%
E	Monitor and test tax controls	26%	41%	37%
F	Provide tax assurance	14%	13%	12%

Figure 2: Percentage of companies' scoring per principle in the Tax Transparency Benchmark of 2017, 2016, and 2015

[1] The average score in 2016 tax transparency benchmark was 12.8 out of a maximum of 39 points. In 2017, the average score was 13.4 points out of a maximum of 37 points.

A. *Define and communicate a clear strategy*

- There was a 7% point increase in the average number of points awarded compared to last year
- 63% of the companies communicate about the involvement of their audit committee in reviewing the tax strategy, a significant increase from last year's 44%

In this year's study principle A has experienced a slight increase in the total average number of points, compared to last year. This difference is mainly caused by a significant increase in the number of companies that now report about the involvement of their audit committee in reviewing the tax strategy. Furthermore, the increase in companies reporting on their tax strategy/policy being a part of the dialogue is also contributing to this change with the company's stakeholders.

B. *Tax must be aligned with the business and is not a profit centre by itself*

- In comparison with the results of the Tax Transparency Benchmark 2016, the average number of points awarded for this principle has decreased by 1% points.
- There was a 5% point increase in points awarded for country-based reporting of other taxes (VAT, withholding taxes, wage taxes, etc.).

A surprising outcome in this years' benchmark was that only 32% of the companies reported on country-to country basis regarding their corporate income tax, and even fewer companies report on other taxes on a country-basis (7%). We expect that there will be an increased amount of information on total tax contributions over the next years.

C. *Respect the spirit of the law. Tax compliant behaviour is the norm*

- There has been a 10% point increase in the average score for this principle compared to last year. This is equal to the growth in the benchmark of 2016 compared to 2015.
- 22% of the companies report about whether they have a programme in place to train employees on how to deal with tax related dilemmas or possible breaches of the tax strategy.

As part of corporate social responsibility, it is becoming increasingly important for companies to report that they also take the intention of applicable laws into account. Taking into account the intention of the law requires a wider look at taxation from all employees involved.

D. *Know and manage tax risks*

- For this section there was an average increase in score of 7% point, which is a slight increase from the growth of 6% point in last year's benchmark.
- The increase for this year can be explained by the fact that companies provided a lot more details about their tax risks and the corresponding tax risks response. Both experiencing an increase of 15% and 17% respectively.

Organizations encounter challenges that impact reliability, relevancy, and trust. Stakeholders are more engaged today, seeking greater transparency and accountability for managing the impact of risk while also critically evaluating leadership's ability to crystalize opportunities.

E. *Monitor and test tax controls*

- This section experienced a drop in the average score of 15% point, while it experienced a growth of 4% point in last year's benchmark.
- Specifically, this drop was partly caused by a lower score received by companies on mentioning tax in the control section of the annual report. This year 28% of the companies received points, while last year this was 54%.

Only 26% of the total points in this section were awarded. This is surprising as stakeholders are increasingly seeking confirmation on whether companies have appropriate governance systems and controls in place.

F. *Provide tax assurance*

- For this section, there was an average increase in the total score of 1% point. Last year there was also an increase of 1% point.
- 36% of companies state that they are participating in a co-operative compliance programme with the tax authorities (which is called 'horizontal monitoring' in the Netherlands). This is an increase of 2% points compared to last year.
- Very few companies (5%) provide a Tax In-Control Statement. Only one company provides third party tax assurance.

Compared with last year's findings, the average amount of points awarded for this principle has seen a minimal increase of 1% point, exactly the same growth that was shown in last year's benchmark.

With this small increase, this is the principle companies are the least transparent about. Partly, this can be explained because in the Netherlands there are no mandatory forms of additional assurance (either internal or external). However, given the international developments in this respect, we expect to see a steep rise in the coming years for this category.

Recommendations

Based on the results of the Tax Transparency Benchmark 2017, the following recommendations have been outlined below. Please have a look at the 2016 Tax Transparency benchmark recommendations (Chapter 5) as these still hold true. Below are additional recommendations based on the 2017 benchmark.

To multinational companies

- Continue to implement and execute measures (as provided in this benchmark) that increase fiscal transparency.
- Monitor and test if the objectives of your tax strategy are met. This is an essential part of your Tax Control Framework and as appears in this benchmark, not sufficiently developed yet. It is important to monitor and test how your tax strategy functions in your daily operations, to be able to report on the performance of your tax strategy.
- Start to design and use a responsible tax framework to enable you to provide internal and external comfort on tax positions and your tax governance (including a (responsible) tax strategy and a tax controls framework).

To tax authorities

- Develop, together with the business community, (regulated or voluntary) good tax governance standards for companies.

To NGOs

- In public communications, evaluate to what extent you are stimulating a discussion on tax and whether you are contributing to restoring trust in tax strategies of companies.

To tax advisory firms

- Ensure that moral considerations, instead of only commercial drivers, are taken into account in the advice you provide about tax governance, tax assurance and tax technology. Adhere to the spirit of the law, rather than the letter of the law.
- Explain your clients the broader context in which your tax advice will be executed.

To investors

- Design and implement a tax strategy (with criteria) that applies to your own organisation and your investments.[2]
- Integrate tax in the valuation of investee companies and enter into a dialogue with portfolio companies on responsible and transparent tax behavior.

To universities

- Educate students more broadly. Provide not only tax legal knowledge, but also knowledge on tax governance, tax assurance and tax technology.

[2] PwC & VBDO (2017). Investor Guide: Integration of tax in responsible investment.

1. Introduction

The tax system can be considered to be a social contract in which citizens and organisations pay a regular fee in return for benefits provided by the government. However, not all contribute a fair share to these goods and use aggressive tax planning to minimise their contribution. Aggressive tax planning can be defined as actions taken by taxpayers which are in line with the requirements of tax law, but do not meet the expectations and requirements of stakeholders (Knuutinen, 2014).

Societal pressure on tax policies

An important moral argument that creates societal pressure to adjust aggressive tax planning concerns the government's loss of financial means, which are essential for sustaining society. Tax revenues flow back to society in the form of public goods, such as infrastructure facilities, a healthcare system, a justice system and a defence force. The functioning of companies is dependent on the quality of these goods. Aggressive tax planning by some creates a disproportionate burden for others, while all benefit from the proper functioning of society. This can undermine moral and voluntary compliance by all taxpayers (Knuutinen, 2014).

Tax transparency and CSR

The adverse effects for companies resulting from aggressive tax planning have become evident in several cases over the recent years. Most recently, quite a few multinational companies have sustained reputational damages due to the 'Paradise Papers'. Corporate reputation, trust and ethical behaviour are closely connected and can be harmed collectively by making use of aggressive tax planning.

Companies that endorse a responsible and appropriate moral standard should be aware that paying a fair share is not the same anymore as paying according to the letter of the tax law (Gribnau, 2017). It is taking tax policy a step further and making tax part of Corporate Social Responsibility ('CSR'). The concept of CSR refers to these operations or actions of companies that are above or independent of the limits or minimum requirements set by legislation (Knuutinen, 2014). CSR is a tool to build (or restore) trust and thereby also a corporations' competitive position. In this respect, transparency and openness form an important first step towards moral tax behaviour (Gribnau & Jallai, 2017).

Responsible companies are willing to pay a fair share of tax and allow the public to evaluate the moral quality of their tax planning strategy. The intention of this report is to benchmark Dutch listed companies on their tax transparency level and provide stakeholders with more insights into where companies stand on this important topic. The methodology of this benchmark is based on a set of guidelines presented by the VBDO and Oikos in their report 'Good Tax Governance in Transition' (VBDO & Oikos, 2014). Good tax governance aims to take the interests of all stakeholders into account when drafting and implementing a company's tax strategy, rather than simply minimising the corporate tax burden by all means within the boundaries of the law. More information about the Good Tax Governance Principles can be found in chapter 3.

Responsible tax behaviour and transparency can be instigated through mandatory or voluntary policy. In the early years of this benchmark, the mandatory component influencing tax policy was very limited. Fuelled by publications by NGOs, reports from journalists and the public disapproval of aggressive tax planning, an increasing number of legislative initiatives are being launched to enforce good tax governance and transparency. For example, the European Commission proposed a new directive in 2016 for mandatory public Country-by-Country Reporting ('CbCR'). The CbCR mechanism is further discussed in chapter 2.

Outline of 2017 Tax Transparency Benchmark

This report continues with chapter 2 that provides some insights into the developments in CbCR. Chapter 3 presents the methodology utilised to develop this year's Tax Transparency Benchmark. Chapter 4 sheds a light on the results of the benchmark. Finally, in chapter 5, our conclusions are presented together with our recommendations for future steps that can be taken by different actors in the field.

2. Public Country-by-Country Reporting

International tax regulations have never been under as much scrutiny as they are now. The integration of economies and markets worldwide has increased substantially in recent years. This process of globalisation burdens international tax rules, which are based on a framework that was designed decades ago. The fragilities in the current rules create opportunities for base erosion and profit shifting. The issue of large multinationals engaging in various practices to reduce their tax burden is now widely covered in the media, which means that it is not only the relevant tax administration that is involved, but also the common taxpayer.

Consequently, the OECD and the European Union have pushed various initiatives that have resulted in a need for companies to change their operating models and policies. One of these initiatives - CbCR to tax administrations - is now implemented in various countries. It has the potential to be used to evaluate whether companies are declaring their profit in the 'right' place, which is different from simply trying to highlight the amounts of tax that governments are receiving. CbCR to tax administrations is made compulsory through inclusion in the EU directive that was adopted by the member states on 25 May 2016 for fiscal years beginning on or after 1 January 2016, but with an option for member states to defer secondary reporting to 1 January 2017 (European Parliament, 2017).

The initiative to make the information available to the general public is named 'Public Country-by-Country Reporting'. The European Commission states that the overall purpose of public CbCR is to increase public attention, which in turn will urge companies to pay tax where they make their profit (European Commission, 2016).

However, doubt remains about what is gained by making this information publicly available, other than answering public calls for more transparency.

The gains of public CbCR

As mentioned above, by making country-by-country reports public, companies are confronted with opinions from various groups of stakeholders. This confrontation urges companies to take responsibility for the information they present in their reports and the actions behind it. Public CbCR therefore has an important deterring effect as reputational risks are associated with presenting doubtful information (Murphy, 2012).

The European Commission states that public CbCR only captures top-tier companies. This classification is based on the amount of revenue that is made. It is due to the size and complexity of these organisations that they are the best equipped to engage in aggressive tax planning to the potential detriment of smaller SME competitors. It will also help to create more equal and fair competition between multinational companies and organisations trading in only one market. Studies have shown that a cross-border company pays on average 30% less tax than a company active in only one country. Public CbCR will be effective in explaining this disparity (European Commission, 2016).

In addition, public CbCR can lead to more effective policymaking by governments. By providing transparency on all the tax payments transnational enterprises make, it becomes possible for citizens to keep their governments accountable for the funds they receive from these multinationals. This information is especially valuable in countries where misappropriation of public funds is a major issue. Thus, if information on tax payments is made public, not only the reporting companies but also governments are made accountable for their actions.

Lastly, by having access to more information and a better risk profile of the company, shareholders will be better equipped to make an informed judgement on their potential investments. This is not only beneficial for shareholders, but also for the company itself as investors are now able to judge the risk they face by investing in the company by reviewing the relevant information themselves (European Commission, 2016).

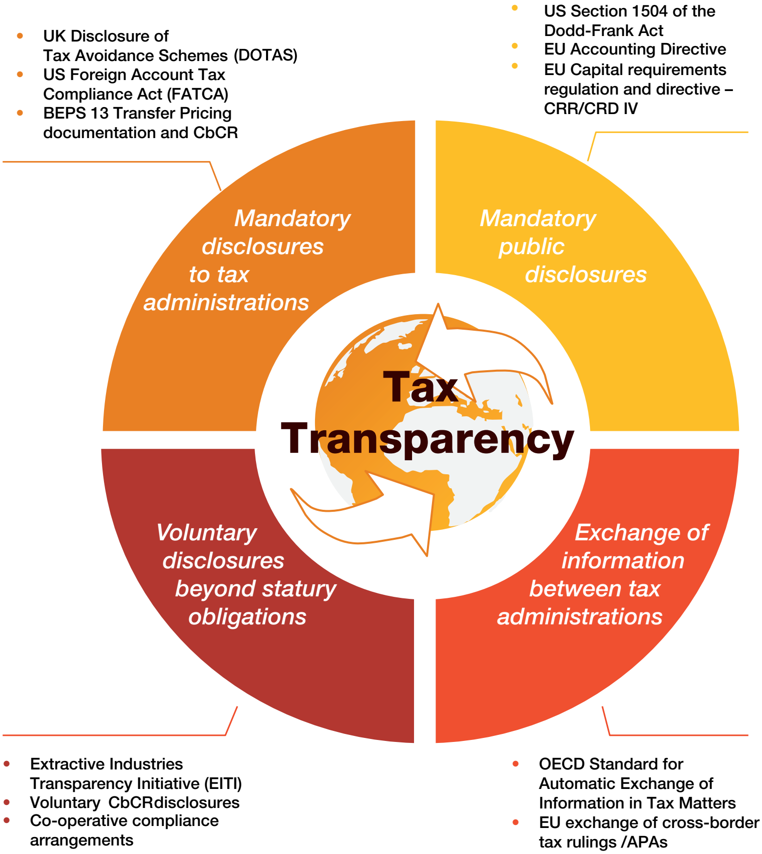
'Regulated transparency'

Currently, there are many European and international initiatives that propose mandatory public CbCR of tax-relevant information for multinational companies. Examples are the European Commission's public CbCR proposal and the EU Capital Requirements Directives (CRD IV). These standards require taxpayers to report different information.

Information about a reporting entity is more useful if it can be compared with similar information about other entities and with similar information about the same entity for another period or another date. Comparability enables users to identify and understand similarities in, and differences among, items. This is especially important when comparing companies located in different jurisdictions. Such disclosures are also desirable as they both help stakeholders make appropriate judgments about an organisation and ensure that organisations are not competitively advantaged or disadvantaged. This increase in comparability helps investors better determine where their investment dollars should go. If there are various standards in place that each require taxpayers to report different information, the comparability of this information is reduced. In addition, if information is not comparable, it becomes more difficult to differentiate between variances arising from the policies of an individual company and those arising from systematic factors, such as the availability of tax incentives (Federation of European Accountants, 2016).

A transparency regime which is applied industry wide must ensure that disclosures are understood by stakeholders. There is no point in providing additional information if it is too difficult to understand. This in fact further reduces the comparability of information across companies. Also, companies could face risks if the data they provide becomes multi-interpretable. This is because an increasing number of people are reading these reports, and not all of them have the relevant knowledge about tax. To solve this problem, a common framework outlining which information should be reported would be effective. This would ensure that deviations from the information required are minimal, comparability is increased and the risk of multi-interpretability is reduced. An example of a common reporting framework for public CbCR is the template created by the Federation of European Accountants (Federation of European Accountants, 2016).

As stated by the Federation of European Accountants in its comment letter on the European Commission's public CbCR proposal, it would be very beneficial if all stakeholders come together to develop a standard that provides consistent reporting requirements across the globe - informing stakeholders with meaningful data, keeping the costs of compliance for international businesses at a reasonable level and reducing inconsistencies as well as risks of confusion (Federation of European Accountants, 2016)


UK Disclosure of Tax Avoidance Schemes (DOTAS)
US Foreign Account Tax Compliance Act (FATCA)
BEPS 13 Transfer Pricing documentation and CbCR
US Section 1504 of the Dodd-Frank Act
EU Accounting Directive
EU Capital requirements regulation and directive – CRR/CRD IV
Mandatory disclosures to tax administrations
Mandatory public disclosures
Tax Transparency
Voluntary disclosures beyond statury obligations
Exchange of information between tax administrations
Extractive Industries Transparency Initiative (EITI)
Voluntary CbCRdisclosures
Co-operative compliance arrangements
OECD Standard for Automatic Exchange of Information in Tax Matters
EU exchange of cross-border tax rulings /APAs

Source: PwC

3. Methodology

The Tax Transparency Benchmark is based on the principles for good tax governance. Measurable criteria derived from these principles were tested against publicly available information. The methodology of the Tax Transparency Benchmark 2017 is explained in further detail below.

To encourage companies to contribute to the ongoing debate about good tax governance, companies were evaluated on their current practices and were able to provide feedback on their assessed score.

Quick facts

76 companies
31 criteria worth 37 points in total
71% response rate

Scope

The 2017 benchmark included 76 companies. The full list can be found in Figure 1. The scope of the benchmark included companies listed in the Netherlands (AEX, AMX and AScX) and a selection of their non-listed peers[3]. The list of companies differs from the 2016 benchmark due to the fact that some companies entered or left the AEX, AMX or AScX in 2016 and because some non-listed peers were excluded from this year's benchmark. In addition, the 2016 benchmark included only a selection of the companies included in the AScX index, while this year the entire index was included.

Criteria

The guiding principles for good tax governance designed by the VBDO and Oikos help to create a common language on what good tax governance could be (VBDO & Oikos, 2014). The good tax governance principles are as follows:

A. Define and communicate a clear tax strategy.
B. Tax must be aligned with the business and is not a profit centre by itself.
C. Respect the spirit of the law. Tax-compliant behaviour is the norm.
D. Know and manage tax risks.
E. Monitor and test tax controls.
F. Provide tax assurance.

[3] We would like to note that some of the companies researched are non-listed (financials) and part of the VBDO network. These companies are Achmea and Rabobank.

Each principle is further specified into various elements and converted into measurable criteria. For example, the first principle - Define and communicate a clear strategy - consists of the elements ‘communication’ and ‘strategy’.

Appendix B displays a comprehensive list of the criteria used in the benchmark. The maximum amount of points awarded is one point for each criterion, except for the questions on CbCR, for which the amount of points can range from zero to three.

Adjusted criteria compared to the previous year

Two questions have been edited to improve the methodology, based on the feedback that was received in 2015 and 2016. Specifically, references to the subcategory ‘segments’ in the topic of CbCR were deleted. Points awarded for questions 16 and 19 were adjusted accordingly. Reporting based on ‘segments’ has become less relevant due to the stricter observance and importance of CbCR regulations. It should be noted that due to adjustments to the methodology, one-on-one comparison with last year’s score is not applicable for the questions mentioned above.

Approach

To test all criteria of the Tax Transparency Benchmark, the companies’ annual reports were reviewed together with other publicly available documents (e.g., transparency reports, governance documents, strategy documents and company websites) to examine to what extent the testing criteria were addressed. For each company in the benchmark, the scores were totalled and subsequently returned to the company for feedback. Where applicable, feedback of the companies was incorporated in the results. To make the results as measurable and comparable as possible, a very strict interpretation of the criteria was used. As the developments surrounding transparent reporting are moving fast, we expect companies to adapt to these challenges and improve their quality of reporting annually. In a similar fashion, answers that were sufficient in early versions of the benchmark may no longer suffice for current reporting standards. Because of all the recent changes in reporting, the VBDO will conduct a thorough overhaul of the Tax Transparency Benchmark methodology for the 2018 benchmark, which will include feedback received from many of the participating companies.

Following the results of the study, a top nine of best performing companies was determined. In order to reach an independent verdict on the Tax Transparency Benchmark, an expert jury was appointed by the VBDO to weigh the results and determine a winner. See appendix A for the jury report.

Jury

Appointed by the VBDO, the jury consisted of four members acting in their personal capacity. These were experts in the field of good tax governance from various backgrounds, including:

- Hans Gribnau, professor of tax law at Tilburg University and Leiden University;
- Victor van Kommer, director of tax services at the International Bureau of Fiscal Documentation (IBFD) and professor of tax policy at Utrecht University;
- Carola van Lamoen, head of active ownership at Robeco;
- Francis Weyzig, policy advisor at Oxfam Novib.

Adjusted criteria compared to the previous year

The maximum number of points able to be obtained by a company for the benchmark decreased from 39 points (2016) to 37 points. Nevertheless, the overall ranking is more important for the comparability of the benchmark than the total number of points obtained.

4. Results

Introduction

The Tax Transparency Benchmark aims to enhance the existing understanding of corporate tax responsibility. Alongside encouraging companies to increasingly improve transparency on taxation and tax functions, it also aims to offer inspiration on how to communicate comprehensively on tax issues in publicly available documentation.

As described in the methodology section, each company has had the opportunity to provide feedback on the findings of the VBDO. We are contented to report that many companies provided input on their own results, but also on the general methodology of the benchmark. We find this very encouraging as it shows that our efforts on promoting tax transparency are taken seriously by companies. In addition, this feedback helps us to improve the study for next year.

For this year's benchmark, the response rate was 71%. This means a decrease by 1% point compared to last year.

As a general trend, companies are making advancements in the degree of transparency they provide on tax. The average transparency rating of the companies in scope increased from 32% in 2015 to 36% in 2016.[4] Quite a few companies have included their score on last year's benchmark in their publicly available information, which also indicates that there is an increased appreciation of tax transparency in public reporting. However, there is still quite some ground to cover as the average score is below 50% of the total points. Therefore, this section also discusses good practices by the companies included in the benchmark to provide more guidance and facilitate a constructive debate.

The number of companies scoring a minimal amount of points (0 – 10) remained the same at 37%. Out of these lower-scoring companies in 2017, 14% is AEX listed, 39% is AMX listed and 46% is listed on the AScX index.

[4] The average score increased from 12.8 points (out of 39) in the benchmark of 2016 to 13.4 points (out of 37) in the 2017 benchmark.

Main findings 2017 Tax Transparency Benchmark

This section provides a quantitative and qualitative explanation of the outcome of the 2017 Tax Transparency Benchmark. It should be noted that due to some adjustments made to the methodology, one-on-one comparison with last year's score is not possible for all questions included in the benchmark. We refer to the methodology section for the details of the adjustments.

This section first briefly covers the overall and most significant results of the benchmark. These include the winner and the most improved companies of the year.This section provides a quantitative and qualitative explanation of the outcome of the 2017 Tax Transparency Benchmark. It should be noted that due to some adjustments made to the methodology, one-on-one comparison with last year's score is not possible for all questions included in the benchmark. We refer to the methodology section for the details of the adjustments.

This section first briefly covers the overall and most significant results of the benchmark. These include the winner and the most improved companies of the year.[5]

		Benchmark		
		2017	2016	2015
A	Define and communicate a clear strategy	47%	40%	29%
B	Tax must be aligned with the business and is not a profit centre by itself	33%	34%	17%
C	Respect the spirit of the law. Tax compliant behaviour is the norm	34%	24%	14%
D	Know and manage tax risks	54%	47%	41%
E	Monitor and test tax controls	26%	41%	37%
F	Provide tax assurance	14%	13%	12%

Figure 3: Percentage of companies scoring per principle in the Tax Transparency Benchmark of 2017, 2016, and 2015

- 79% of the companies communicate their views on tax in publicly available documentation.
- 70% of the companies describe their relationship with the tax authorities.
- 63% - a 19% point increase - of the companies have their audit committee review the tax strategy.
- 58% - a 17% point increase - of the companies describe their responses to tax risks.

[5] The 76 companies in scope will be referred to as 'companies'.

- 83% - a 15% point increase - of the companies report on tax risks, including financial, regulatory or reputational risks.
- 22% - a 14% point increase - of the companies has a programme in place on how to deal with tax, legal and compliance dilemmas.
- Companies scored the best on principle D - ‘Know and manage tax risks’.
- The largest growth (10%) was achieved for principle C - ‘Respect the spirit of the law. Tax compliant behaviour is the norm’.
- Principle A also experienced growth (7%), although the level of growth decreased compared to 2016.
- The points awarded for principles B and F remained stable.
- Principle E experienced a large decrease (15%) in the amount of points awarded.
- Companies scored lowest on principle F - ‘Provide tax assurance’

Figure 4: Percentage of companies that communicated their tax strategy according to research in 2014, 2015, 2016 and 2017

Results per company

The independent jury discussed the eight companies that scored highest in the 2017 Tax Transparency Benchmark (see figure 5).

Winner

From the nominees, the jury selected the winner based on the following criteria:

- Score and analysis performed by the VBDO
- Depth of tax strategy
- Embedding of tax strategy into the organisation
- Sector and the availability of a mandatory legal framework
- Lack of known controversies

The jury would like to congratulate **DSM** on winning the 2017 Tax Transparency Award. This was a unanimous decision.

DSM was the top-scoring company in the benchmark and performed well on all principles, especially on the questions that indicated the company's intrinsic motivation to improve its tax transparency, such as questions about the status and progress of the implementation and execution of the tax strategy. Appendix A provides a more elaborate overview of the jury's considerations.

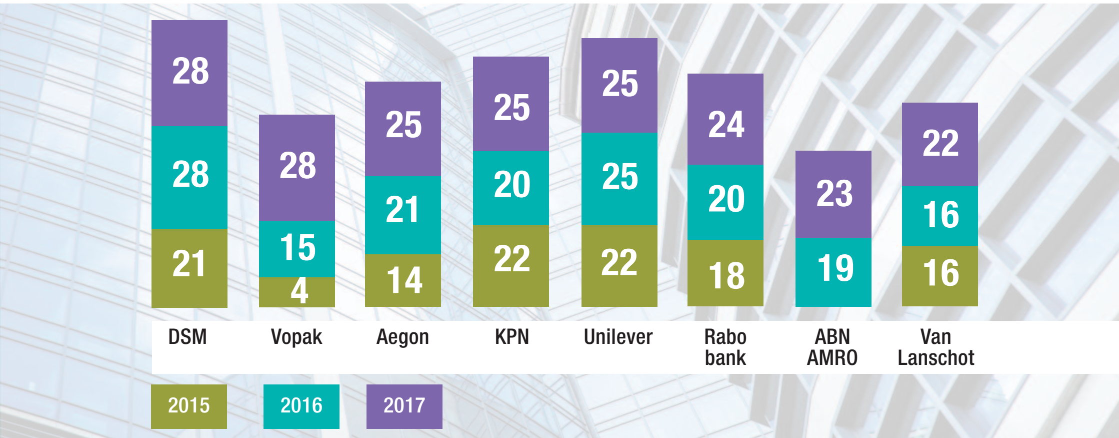


Figure 5: Top eight companies

Most improved companies

The independent jury has noted the impressive improvement of **Vopak**, **AMG** and **TKH Group** in the 2017 Tax Transparency Benchmark compared to last year. The jury would like to congratulate these companies on this improvement in tax transparency.

Results per principle

A. *Define and communicate a clear strategy*

An appropriate tax strategy is assessable and clearly communicated (transparent). It contains the company's vision and objectives in respect to taxation, takes stakeholders' interests into consideration and explains the company's view on its relationship with the tax authorities. It also clearly defines roles and responsibilities within the company and sets out long-term key performance indicators ('KPIs') for the tax department. These KPIs do not only deal with managing the effective corporate tax rate, but also cover the execution of the tax strategy.[6]

Top scorers

DSM, KPN, ABN AMRO, NN Group, Wessanen and Wolters Kluwer – scored 7 out of 8 points

Results

- There is a 7% point increase in the average number of points awarded for this section compared to last year.
- 63% of the companies communicate about the involvement of their audit committee in reviewing the tax strategy, a significant increase from last year's 44%.
- There is a 10% point increase (to a total of 55%) in companies that are transparent about the involvement of their stakeholders in the determination of the tax strategy/policy.
- 12% of the companies are transparent on the status and progress of the implementation and execution of the tax strategy.
- A small percentage of the companies (8%) define KPIs for the tax department.

For principle A, we see a slight increase in the average number of points compared to last year. This is mainly due to the significant increase in the number of companies that now report about the involvement of their audit committee in reviewing the tax strategy and the number of companies reporting on their tax strategy/policy being part of the dialogue with the company's stakeholders. We do see, however, that the growth is less steep compared to the earlier benchmark years.

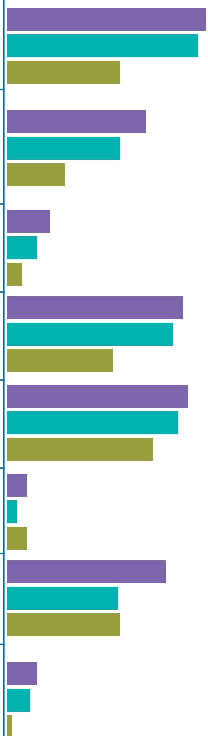
Companies have become increasingly transparent in either their annual report, their tax policy or the audit committee charter about this issue, which shows that tax is now an issue which is relevant even at the supervisory and board levels within companies. However, it is remarkable that only 17% of the companies are transparent on whether and to what extent the stakeholder dialogue has actually influenced the strategy. Providing insight into the actions that are undertaken as a result of the

[6] For example, the UK's HMRC requires that (large) businesses publish their tax strategy annually. Furthermore, the UK HMRC clearly provides guidance on the tax strategy as to what areas it should cover (HMRC, 2015).

dialogue would provide stakeholders with the assurance that their views are appreciated and being taken seriously by the company. By being transparent on this matter, stakeholders become aware of the actions that are currently being undertaken by the company to enhance their tax function. For the company itself this is an effective method for managing stakeholder expectations, since they are now informed about the changes that will take place in the coming periods.

Very few companies scored on the question on KPIs for the tax function, while it would be beneficial to report about this. When a company is transparent on these KPIs, stakeholders will have more insight into whether the measurement of performance of the tax department is in line with the company's tax strategy.

A.	Define and communicate a clear strategy	2017	2016	2015
1	Does de company communicate its views on tax?(e.g. in the annual report / CSR / website / other)	79%	76%	45%
2	Has the company's tax strategy been part of the dialogue with the company's stakeholders? (Including investors and civil society organisations)	55%	46%	23%
3	Does the company explain to what extent the stakeholder dialogue has influenced the tax strategy?	17%	12%	6%
4	Is a vision of the company's relationship with the tax authorities included in the tax strategy?	70%	66%	42%
5	Does the company see tax as part of its corporate social responsibility?	72%	68%	58%
6	Have the KPIs of the tax department been clearly communicated?	8%	4%	8%
7	Does the audit committee review the tax strategy?	63%	44%	45%
8	Does the company describe the status and the progress of the implementation and execution of the tax strategy?	12%	9%	2%



Maturing of the benchmark results

Based on the benchmark analyses of the past three years, we see that companies tend to score well in section A and that all questions in this section show an increased score over the years. We do note that this year the increase in scores for this section is not as steep as in previous years. This can be explained by the fact that the overall score on this section was already quite high in the first years and therefore logically shows a less steep incline.

Good practices

The good practices of principle A were selected to provide good examples for frequently asked questions by the participating companies. They allowed the companies to assess if and to what extent stakeholders are involved in the determination of the companies' tax strategy/policy.

KPN clearly describes that its stakeholders have been part of the process of determining the company's tax strategy/policy (*KPN, 2016 Annual Report*).

As part of KPN's tax strategy, the Corporate Tax Department recommends the most tax-efficient and responsible approach in the interest of all stakeholders, while adhering to KPN's tax policy and complying with all relevant tax laws and regulations. This determines KPN's overall tax risk appetite. As KPN proactively engages with (Dutch) tax authorities, tax exposures (if any) are contained and under control. Next to a potential tax exposure, reputational risk is always part of the consideration to apply a particular tax-planning idea.

ABN AMRO elaborately describes to what extent stakeholder dialogue has shaped its tax strategy/ policy (*ABN AMRO, 2016 Annual Report*).

Developments

We reviewed and amended our tax principles and tax policy in 2016, and stressed our social responsibility, based in part on the expectations expressed by our stakeholders during the stakeholder dialogue and public discussions. We also discussed tax policy matters in a meeting with the bank's Ethics Committee. Tax avoidance – which is different from tax evasion – and aggressive tax planning are not strictly illegal, but these activities are increasingly unacceptable in today's societal context. As a good corporate citizen we do not use structures that are designed for aggressive tax planning or tax avoidance, and we aim to comply with the intention and spirit of the law. This is also reflected in our tax principles. To promote tax awareness and adherence to the tax policy, Group Tax has actively presented the revised tax policy to the ABN AMRO Group worldwide.

The Panama Papers have strengthened our awareness of our corporate social responsibility, not only for our own tax position but also in our approach to clients. We reviewed the files of our clients who had links to the Panama Papers and held discussions with a number of them. In some cases we re-evaluated the relationship with the client as a result of our review and after consulting the client in question.

B. *Tax must be aligned with the business and is not a profit centre by itself*

It should be understood that tax is an integrated part of doing business and should not be the exclusive domain of the tax department. In principle, a company should declare profits and pay taxes where it conducts business activities and should demonstrate how it does so. In addition, a company must be able to extract tax information when needed.

Top scorer
Vopak – scored 14 out of 17 points

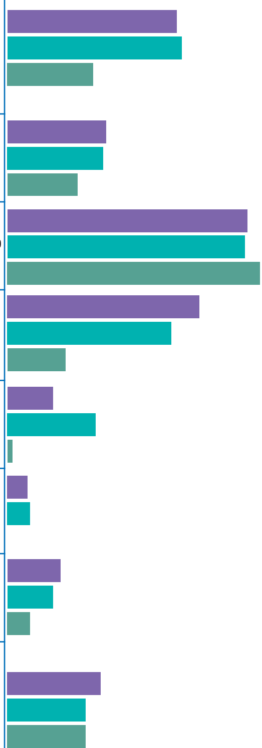
Results

- In comparison with last year, the average number of points awarded for this principle has decreased by 1% point, whereas last year this section experienced a growth of 17%.
- While 95% of the companies provided an effective tax rate to statutory tax rate reconciliation, only 76% provided a sufficiently detailed explanation of the elements that make up the difference between the two tax rates.
- There was a 13% increase in companies reporting on taxes other than corporate income tax (VAT, withholding taxes, wage taxes, etc.)
- There was a 5% point increase in points awarded for country-based reporting of other taxes.

A surprising finding in this year's benchmark was that only 32% of the companies reported on a country basis regarding corporate income tax and that even fewer companies (7%) reported on other taxes (VAT, withholding taxes, wage taxes, etc.) on a country basis. A detailed distinction between the different kinds of taxes due provides stakeholders with a more complete picture of the total amount of taxes paid by the company. It provides insight into the added value, i.e. on the company's economic footprint, which is valuable information for stakeholders. We expect that there will be an increased amount of information on total tax contributions over the next years. Also, there was only an increase of 3% points in the points awarded for the transparency that the companies provide on the potential impact of CbCR regulations. We expected to see more information on this from a qualitative and quantitative perspective in publicly available documentation considering the increase of CbCR initiatives and legislation. The increase of the importance of CbCR as part of legislation and corporate social responsibility has provided a good practice to stimulate further comprehensive disclosure.

Furthermore, the results show that not many companies provide information on the difference between their effective corporate tax rate and cash tax paid (18%). Also, companies were not descriptive enough in stating that their business operations are leading in setting up international structures or that they pay taxes were the economic activity occurs (67%). If this description is not clear and explicit, there could be various interpretations of the information provided. The reader might believe that the company applies a different norm than what is applied in reality. Following this sentiment, this question was assessed more strictly this year compared to last year and therefore experienced a drop of 3% points in the points that were awarded.

B.	Tax must be aligned with business and is not a profit centre by itself	2017	2016	2015
9	Does the company state that its business operations are leading in setting up international structures, i.e., that it declares profits and pays taxes where the economic activity occurs?	67%	69%	34%
10	Does the company explicitly state that it does not use 'tax havens' for tax avoidance?	40%	38%	28%
11	Is there an effective tax rate to statutory tax rate reconciliation?	95%	94%	100%
12	Is the origin of the difference explained in detail? (Quantitative and qualitative)	76%	65%	23%
13	Is there an explanation for the difference between cash tax paid and the effective tax rate?	18%	35%	2%
14	Is the impact of tax on earnings per share discussed in the annual report?	8%	9%	0%
15	Does the company report on the (potential) impact of country-by-country reporting regulations?	21%	18%	9%
17	If the company reports on corporate income tax on a geographic or segment basis, does the company also provide information on revenues, profits, assets and FTEs on this basis?	37%	31%	31%



Maturing of the benchmark results

Based on the benchmark analyses of the past three years, we see that reporting on section B improved greatly in the benchmark for 2016 compared to 2015, but that this year there was no improvement. This could be explained by the fact that the companies were evaluated even more strictly this year on their reporting practices, in line with developments in CbCR regulation and corporate tax transparency in general.

	Reporting of taxes	2017	2016	2015
16.1	On what basis does the company report on corporate income tax? Country	32%	25%	11%
16.2	Region	18%	22%	20%
18	Does the company provide information on taxes other than corporate income tax? (VAT, withholding taxes, wage taxes etc.) If yes, on wat basis?	57%	44%	16%
19.1	Country	7%	1%	0%
19.2	Region	0%	7%	5%

Good practices

The good practices of principle B were selected to provide good examples for frequently asked questions by the participating companies.

The figures below are good examples of how **AMG** and **AEGON** report on their effective tax rate in detail as the AMG example provides sufficient detail and the AEGON example provides a comparison to the previous year(s) (*AMG and AEGON, annual report 2016*).

RECONCILIATION OF EFFECTIVE TAX RATE

A reconciliation of income tax expense applicable to accounting profit before income tax at the weighted average statutory income tax rate of 33.43% (2015: 35.19%) to the Company's effective income tax rate for the years ended is as follows:

	2016	2015
Profit before income tax from continuing operations	49,667	28,568
Income tax using the Company's weighted average tax rate	16,603	10,053
Non-deductible expenses	3,902	1,338
Tax exempt income	(2,877)	(1,266)
Current year losses for which no deferred tax asset was recognized and changes in unrecognized temporary differences	8,253	6,728
Recognition of previously unrecognized tax losses, tax credits and temporary differences of a prior year	(11,252)	(3,146)
Derecognition of previously recognized tax losses, tax credits and temporary differences	770	(1,583)
Changes in previously recognized tax losses, tax credits and recognized temporary differences for changes in enacted tax rates	(350)	(55)
Changes in previously recognized tax losses, tax credits and recognized temporary differences for changes in currency effects	(4,782)	5,723
(Over) under provided in prior periods	(531)	426
State and local taxes	716	1,125
Other	(2,356)	(692)
Income tax expense reported in consolidated income statement	8,096	18,651

The weighted average statutory income tax rate is the average of the statutory income tax rates applicable in the countries in which the Company operates, weighted by the profit (loss) before income tax of the subsidiaries in the respective countries as included in the consolidated accounts. Some entities have losses for which no deferred tax assets have been recognized.

During the years ended December 31, 2016 and 2015, the income tax benefits related to the current year losses of certain US, Dutch, French, Belgian, and Brazilian entities were not recognized. In total, $8,253 and $6,728 were not recognized in 2016 and 2015, respectively, as it is not probable that these amounts will be realized.

During the years ended December 31, 2016 and 2015, certain income tax benefits related to previously unrecognized tax losses and temporary differences related to certain US, Brazil, French and German entities were recognized. In total, $11,252 and $3,146 were recognized in 2016 and 2015, respectively, through an increase to the net deferred tax asset. Of the total benefit recognized, $8,898 (2015: $1,453) related to the US jurisdictions. These benefits were recognized due to financial performance in recent years and forecasted taxable profits.

The main factors considered in assessing the realizability of deferred tax benefits were improved profitability, higher forecasted taxable profitability and carryforward period of the tax losses. After assessing these factors, the Company determined that it is probable that the deferred tax benefit of the tax losses and temporary differences will be realized in the foreseeable future.

As it is no longer probable that the benefits of certain net operating losses and temporary differences would be realized due to decreased profitability, $770 (2015: ($1,583)) of previously recognized net operating losses and temporary differences of certain US and Brazil entities were derecognized in 2016.

Also during the years ended December 31, 2016 and 2015, the net recognized deferred tax assets (liabilities) were adjusted for changes in the enacted tax rates in the UK and the US. The impact of the tax rate changes was a decrease to income tax expense of $350 (2015: $55). The net recognized deferred tax assets (liabilities) were also adjusted to reflect changes in currency rates in Brazil. The impact of the tax rate changes and currency rates was a decrease to income tax expense of $4,782 (2015: $5,723).

During the year 2016, an income tax benefit of $2,356 was recorded to other. The majority of this benefit related to tax credits received in France for prior years.

Adjustments to prior years include shifts between current and deferred tax.

Reconciliation between standard and effective income tax:	**2016**	2015	2014
Income before tax	805	(634)	1,475
Income tax calculated using weighted average applicable statutory rates	288	(87)	414
Difference due to the effects of:			
Non-taxable income	(128)	46	(110)
Non-tax deductible expenses	21	49	52
Changes in tax rate/base	93	(22)	(12)
Different tax rates on overseas earnings	8	6	(22)
Tax credits	(41)	(100)	(35)
Other taxes	38	14	43
Adjustments to prior years	(34)	(17)	9
Origination and change in contingencies	8	3	5
Changes in deferred tax assets as a result of recognition / write off of previously not recognized / recognized tax losses, tax credits and deductible temporary differences	(54)	(8)	(63)
Non-recognition of deferred tax assets	33	22	17
Tax effect of (profit) / losses from joint ventures and associates	(7)	(8)	(8)
Other	(6)	(8)	(10)
	(69)	**(24)**	**(134)**
Income tax for the period (income) / charge	**219**	**(111)**	**280**

The weighted average applicable statutory tax rate for 2016 is 35.7% (2015: 13.7%; 2014: 28.1%). The increase in the weighted average applicable statutory tax rate compared to prior years is caused by the increase of profits in higher taxed countries.[1]

Non-taxable income in 2015 is negatively impacted by the non-deductible loss on the sale of Aegon's Canadian life insurance business.

Non-tax deductible expenses in 2016 is lower in several countries.

Changes in tax rate/base in 2016 is heavily impacted by the release of profits from OCI to income statement in the United Kingdom. These profits were taxed in the past against high historic tax rates and are now released from OCI to the income statement against a lower statutory tax rate. The difference causes a negative impact in changes in tax rate/base.

In the UK, the corporate income tax rate will decrease to 19% as per April 1, 2017. The beneficial impact of this change is reflected in the 2015 change in tax rate/base. The tax rate will continue to decrease from 19% to 17% with effect from April 1, 2020. The minor impact of this tax rate change is included in the 2016 change in tax rate/base. In Spain, the corporate income tax rate decreased from 28% to 25% as from 2016. The impact of the change of the Spanish tax rate was included in the 2014 change in tax rate/base. In Hungary, the corporate income tax rate will decrease from 19% to 9% as from January 1, 2017. The minor impact of this tax rate change is included in change in tax rate/base.

Tax credits in 2015 includes tax benefits related to solar investments in the United States.

Adjustments to prior years includes a one-time tax benefit in the United States caused by the revised tax deduction for dividends received on prior filed tax returns.

As in previous years, Other mainly consists of tax effects of the UK life company that have no direct correlation to the IFRS-EU result and also consists of the effect of the various tax rates, other than the statutory tax rate, that are applicable to income of the UK life company.

Randstad provides an overview of all the taxes that it pays, with a clear separation of corporate income taxes from other taxes (*Randstad, annual report 2016*).

Our tax contribution

Throughout the world, Randstad companies pay various taxes levied by tax authorities. The main categories of taxes are corporate income tax, value-added tax, wage tax and social insurance. The breakdown is as follows:

Corporate income taxes paid

in millions of €

	2016	2015
North America	6.1	8.4
Netherlands	24.8	25.9
France	38.7	35.1
Germany	(3.9)	5.2
Belgium & Luxembourg	3.2	15.9
Iberia	6.2	6.6
United Kingdom	1.6	0.9
Other European countries	31.8	9.9
Rest of the world	23.6	19.5
Corporate	27.7	(22.0)
Total	**159.8**	**105.4**

Corporate income taxes paid in North America are relatively low as a result of accumulated net operating losses that are offset against taxable income.

Randstad Holding and its Dutch subsidiaries form a fiscal unity for corporate income tax. The fiscal unity received a tax refund in 2015.

In Other European countries, additional taxes were paid in Sweden and Italy due to the consolidation of newly acquired companies in 2016 and higher profitability of existing companies in Italy, Sweden, and Poland.

All other taxes paid

in millions of €

	VAT [1]	Wage tax and social insurance	Total
North America	48	1,125	1,173
France	574	1,201	1,775
Netherlands	588	837	1,425
Germany	328	669	997
Belgium & Luxembourg	183	338	521
United Kingdom	88	95	183
Iberia	254	376	630
Other European countries	241	716	957
Rest of the world	148	321	469
Corporate	(3)	20	17
Total	**2,449**	**5,698**	**8,147**

1 Value-added tax/sales tax.

C. *Respect the spirit of the law. Tax compliant behaviour is the norm*

A company should aim to comply with the letter as well as the spirit of the law, which entails that the intention of the legislator is also guiding to ensure tax-compliant behaviour. By definition, the spirit of the law cannot be described unambiguously. It requires discussion with internal stakeholders, including tax, legal, compliance and CSR officers, as well as external stakeholders such as government officials, tax authorities, civil society organisations and investors. Being compliant with tax laws and regulations, statutory financial obligations and international accounting standards is the core responsibility of the tax function.

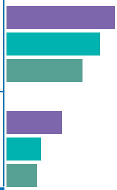
Top scorers
DSM, AEGON, Unilever, Rabobank, ABN AMRO, Van Lanschot, Vastned, Wessanen, Flow Traders, BAM Group, Shell, Brunel, Tom Tom – scored 2 out of 2

Results

- There has been a 10% point increase in the average score for this principle compared to last year This is equal to the growth in the benchmark of 2016 compared to 2015.
- The number of companies that explicitly state that the spirit of the law is embedded in their tax strategy has increased by 7% points to a total of 43%.
- In addition, 22% of the companies report about whether they have a programme in place to train employees in how to deal with tax-related dilemmas or possible breaches of the tax strategy.

As part of corporate social responsibility, it is becoming increasingly important for companies to report that they also take the intention of applicable laws into account. Taking into account the intention of the law, requires a wider look at taxation from all employees involved. A training programme is essential to ensure the company's tax strategy is effectively embedded in the organisation and employees are supported to deal with tax in an ever-changing tax landscape. By reporting on this in publicly available documentation, stakeholders are assured that company employees are trained in an appropriate manner and know how to deal with these risks if they ever occur.

	C. Respect the spirit of the law. Tax compliant behaviour is the norm	2017	2016	2015
20	Does de company explicitly communicate that its tax planning strategy is based on the spirit of the law?	**43%**	**37%**	**20%**
21	Does the company have a program in place on how to deal with tax dilemmas for its tax, legal and compliance officers?	**22%**	**9%**	**8%**



Maturing of the benchmark results

We are contented to report a steady growth on these questions. The largest growth of this year's benchmark was achieved for this section. This shows that companies are more and more considering tax in a broader societal context and also appropriately dealing with the consequences of such approach.

Good practices

The good practices of principle C were selected to provide good examples for frequently asked questions by the participating companies.

DSM explicitly states that its tax planning is based on the spirit of the law (*DSM, 2016 Taxation at DSM*).

Tax governance

DSM strives to be compliant with the letter and the spirit of the tax laws and regulations as regards its tax policy and practices.

Vopak clearly describes its tax planning strategy while also explicitly mentioning that it acts in line with the letter and spirit of the law (*Vopak, 2016 annual report*).

Vopak's business strategy is leading: Vopak aims to achieve an effective tax rate that does not exceed the weighted average statutory tax rate by avoiding double taxation, that does not trigger anti-abuse regulations and that does not result in losing loss utilization opportunities. In addition, Vopak aims to optimize the use of tax incentives and investment schemes for the purposes for which these have been designed. In striving to achieve this goal, Vopak will only optimize real business structures and transactions and will not set-up legal entities or transactions solely for the purpose of tax savings or tax avoidance. The business strategy is leading. Vopak acts in line with the letter and the spirit of the law

ABN AMRO explains the programme it has in place to train its relationship managers and legal and compliance officers to enhance their understanding of how to assess clients from a tax perspective (*ABN AMRO, Annual Report 2016*).

Tax embedded in client acceptance and review procedures

As part of our Reliable and Responsible Banking programme, we extended our client acceptance and review procedures. The procedures not only include a review regarding potential tax evasion – which is never acceptable – but now also include reviews of clients from an aggressive tax planning and tax avoidance perspective. Group Tax supports relationship managers in assessing the tax positions of clients and in defining appropriate actions. If we encounter artificial arrangements that appear to have been put in place for the essential purpose of avoiding taxes, we consult and discuss this with the client in question. Group Tax provided extensive training in 2016, not only to relationship managers but also to legal and compliance officers to enhance their understanding of how to assess clients from a tax perspective. At the same time we are subject to limitations, as it is impossible to perform a complete tax due diligence procedure on our clients.

D. *Know and manage tax risks*

Tax risk management is a proactive process that is demonstrably embedded within the risk management and internal control function of the company.

Top scorers

Rabobank, ABN AMRO, Vastned, Kendrion, Philips – scored 4 out of 4 points

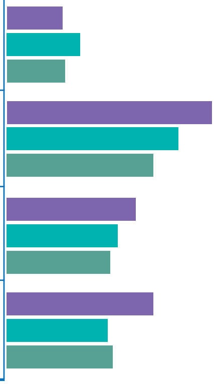
---

Results

- For this section there was an average increase in score of 7% points, which is a slight increase compared to the growth of 6% points in last year's benchmark.
- Companies provided a lot more details about their tax risks and the corresponding tax risk response. Both experiencing an increase of 15% and 17% respectively.
- A total of 83% of the companies report on their tax risks. However, only 51% of the companies describe their tax risks in detail.
- Companies could become more explicit in describing their tax risk appetite. This question received the least points of all the questions in this section, with only 22% of the companies receiving points.

Organisations need to be more adaptive to change. They need to think strategically about how to manage the increasing volatility, complexity and ambiguity of the world, particularly at the senior levels in the organisation and in the boardroom where the stakes are highest. Organisations encounter challenges that impact reliability, relevancy and trust. Stakeholders are more engaged today, seeking greater transparency and accountability for managing the impact of risk while also critically evaluating leadership's ability to crystallise opportunities. Therefore, we would like to encourage companies to report more elaborately on tax risks, including their tax risk appetite and risk response, because it provides stakeholders with a better understanding of the potential and actual risks involved and a clear understanding of how these risks are managed within the company (COSO, 2017).

D.	**Know and manage tax risks**	2017	2016	2015
22	Does de company explicity describe its tax appetite?	**22%**	**29%**	**23%**
23	Does de company report any tax risk, including: financial, regulatory or reputational risks?	**83%**	**68%**	**58%**
24	Are the tax risks described in detail? (Not just as an enumeration)	**51%**	**44%**	**41%**
25	Is there a description of the company's response to these tax risks?	**58%**	**40%**	**42%**



Maturing of the benchmark results

For the past three years, companies have been scoring best on this principle. In addition, this section has experienced a steady growth, which shows that stakeholders are increasingly interested in the tax risks the company faces and how they are managed.

Good practices

The good practices of principle D were selected to provide good examples for frequently asked questions by the participating companies.

Van Lanschot labels its tax risk appetite in its tax policy (*Van Lanschot, 2016 Tax Policy*).

2.1 Risk Appetite

Van Lanschot has published its vision and mission. In its strategy to achieve this vision and mission, Van Lanschot has given prominence to the preservation of the bank's solid profile. Fiscal risks are to be managed within the context of this solid profile.
In addition, Van Lanschot has a social function as a financial institution and a component of the financial system, and a good reputation is extremely important to this. In this regard it is important to keep in mind the continually changing social ideas about taxation. Within this context, a cautious risk appetite is a suitable fiscal strategy (strategic fiscal objectives translated into concrete actions) for the bank. In the current entrepreneurial climate, the society, regulatory authorities, and implementing bodies such as the Dutch Tax and Customs Administration are increasingly requiring what is called 'Good Corporate Citizenship'. Concepts such as transparency and trust play an important role in this regard. Van Lanschot subscribes to these concepts and applies them where possible. In this regard, we take account of the interests of various stakeholders, including our clients, shareholders, employees, the Dutch Tax and Customs Administration, regulators, and society at large.

AMG defines its tax risk appetite in an elaborate manner in its tax policy (*AMG, 2016 Tax Policy*).

9. Risk management

Overall AMG has a risk adverse approach regarding potential tax risks. This means that tax related risks are acceptable relative to the associated value or financial return and that, where available, further risk reduction measures are taken in relation to significant risks where appropriate. Tax risk can be described (not exhaustively) as follows:

- Financial loss in the form of increased tax costs, interest and penalties;
- Suboptimal commercial outcomes due to missed opportunities to structure arrangements in an efficient manner; and
- Restricted ability to achieve goals due to damaged reputation and relationships with stakeholders (e.g. tax authorities).

Within AMG two key drivers of tax risk have been identified:

- Judgemental – relates to understanding and interpretation of tax law and manifests itself as tax planning and advisory risk; and
- Operational – relates to the processes, people and systems in place to manage tax risk and manifests itself as tax compliance risk.

Corbion provides an overview showing a tax risk and describes the measures it has in place to mitigate this risk in a detailed manner (*Corbion, 2016 Annual Report*).

Risk event	Cause and possible impact	Mitigation actions
Non-compliance with applicable tax laws	Failure to timely detect and anticipate changes in a wide variety of tax laws or in the application thereof could adversely affect our financial results.	Adequate quarterly reporting system is in place, we hold regular tax meetings, and review tax compliance of our operating companies. Our global tax control frame work warrants compliance. Transfer pricing policy and documentation are in place as well. We seek the advice of external tax experts in compliance matters.

E. *Monitor and test tax controls*

It is important that a company has a standardised approach for monitoring and testing the execution of its tax strategy and controls, and that it does so on a regular basis to ensure the findings and outcomes are addressed promptly. By communicating on these issues with stakeholders, a company could demonstrate its commitment to the design and operating effectiveness of its tax strategy.

By mentioning tax in the section of the annual report where the internal control framework is described, the company assures stakeholders that tax is an important part of the business and appropriate measures are in place in order to ensure that processes related to it are functioning appropriately.

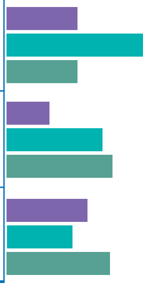
Top scorers
Vopak, Unilever, RELX, Kendrion, Corbion – scored 3 out of 3 points

Results

- This section experienced a drop in the average score of 15% points, whereas it experienced a growth of 4% points in last year's benchmark.
- Specifically, this drop was caused by, among other things, the lower score that companies received on their disclosures on tax in the control section of the annual report; this year 28% of the companies received points compared to 54% in 2016.
- In addition, the points awarded for the involvement of the internal audit department in monitoring tax control also dropped from 38% to 17%.

Only 26% of the total amount of points for this section were awarded. This is interesting as stakeholders are increasingly seeking confirmation on whether companies have appropriate governance systems and controls in place. It is clearly important to publicly disclose this information. Tax authorities and other governmental organisations are also paying increasing attention to how companies embed monitoring and testing in their day-to-day activities.

E.	Monitor and test tax controls	2017	2016	2015
26	Is tax mentioned in the control section of the annual report?	28%	54%	28%
27	Is it mentioned that the internal audit department is involved in monitoring tax control?	17%	38%	42%
28	Is tax risk management included in the reporting to the audit committee?	32%	26%	41%



Maturing of the benchmark results

The reason for the drop in the amount of points is unclear. Perhaps the scores differ per year because companies do not use a standard format for what should be included in the section.

Good practices

The good practices of principle E were selected to provide good examples for frequently asked questions by the participating companies.

AMG clearly describes that tax risk management is one of the responsibilities of the audit committee (*AMG, 2016 Tax Policy*).

Within AMG two key drivers of tax risk have been identified:

- Judgemental – relates to understanding and interpretation of tax law and manifests itself as tax planning and advisory risk; and
- Operational – relates to the processes, people and systems in place to manage tax risk and manifests itself as tax compliance risk.

In adopting this approach, and within its key aim of strong corporate citizenship, AMG explicitly accepts tax related risk where it is appropriately mitigated and proactively monitored.

Identification

Risk assessments should be undertaken periodically at a Group level by the Global Tax Team and at a jurisdictional level by local CFO's with tax responsibility as appropriate. These assessments should follow the approach set out in the Corporate Financial Policy Manual.

Evaluation

Risks should be scored according to the likelihood and significance that they will crystallise. Where the score exceeds the threshold of USD 100.000, risks are recorded in the Risk Report with an owner, mitigation, residual risk and current status.

Control

Where risks exceed the above mentioned threshold, consideration should be given to further actions that could be taken or increased controls to mitigate the residual risk. Such actions would typically be: external advice (or second opinion) to support the position; Tax Authority clearance/rulings (where possible); and enhanced documentation/monitoring of the situation.

Monitoring

Risks should be actively monitored and items exceeding the above mentioned threshold should be reported to the Supervisory Board and monitored by the Audit Committee and Risk Management Committee on a quarterly basis.

F. *Provide tax assurance*

A company should be prepared to provide additional tax information to regulators, tax authorities and other stakeholders in order to provide a certain level of assurance in regard to tax data and processes. This tax assurance should be based on the implementation and outcome of the five aforementioned principles.

Top scorers

DSM, KPN, Wessanen, Telegraaf Media Group – scored 2 out of 3 points

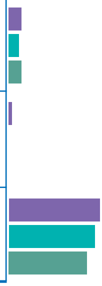
Results

- 36% of companies state that they are participating in a co-operative compliance programme with the tax authorities (which is called 'horizontal monitoring' in the Netherlands). This is an increase of 2% points compared to last year.
- Very few companies (5%) provide a tax in control statement.
- Only one company (Wessanen) provides third party tax assurance.

From a tax perspective, communicating about the (external) review of your tax function provides additional security to stakeholders. Whether this means increased board involvement (tax in control statement), implementing checks and balances with the tax authorities (horizontal monitoring) or supervision by a third party (third party tax assurance), all these forms will provide additional assurance to stakeholders about the tax function.

Regarding reporting on tax in control statements, third party assurance and participation in co-operative programmes, there still is room for growth. This is illustrated by the section's average of only 14% on all questions.

F.	**Provide tax assurance**	2017	2016	2015
29	Does the company provide Tax In-Control Statement?	**5%**	**4%**	**5%**
30	Does the company provide third party tax assurance to stakeholders?	**1%**	**0%**	**0%**
31	Does the company participate in a co-operative compliance program? (in the headquarter country)	**36%**	**34%**	**31%**



Maturing of the benchmark results

Compared with last year's findings, the average amount of points awarded for this principle has seen a minimal increase of 1% point, exactly the same growth that was shown in last year's benchmark. With this small increase, this principle is still the principle on which the companies provide by far the least transparency. This can be partly explained by the fact that there are no mandatory forms of additional assurance in the Netherlands (either internal or external). However, given the international developments in this respect, we expect to see a steep rise in the coming years for this category.

Good practices

The good practices of Principle F were selected to provide good examples for frequently asked questions by the participating companies.

DSM provides a Tax In-Control Statement *(DSM, 2016 Taxation at DSM)*.

Compliance with both direct and indirect tax matters is monitored through a Tax Control Framework in order to achieve an effective, efficient and transparent tax function. The Tax Control Framework is a tax risk management and control system, which ensures that Group Taxation is aware of the worldwide tax risks for DSM.

Group Taxation possesses sufficient insights to adequately manage these risks. The key stakeholders in the Tax Control Framework are well-established and include: Supervisory Board, Managing Board, Executive Committee, Group Taxation, business, external auditors, as well as the tax authorities in countries where DSM is operating.

DSM makes a clear statement on its participation in co-operative programmes with authorities *(DSM, 2016 Taxation at DSM)*.

DSM has fostered good working relationships with tax authorities in various countries, which has long-term benefits for both DSM and the authorities.

This limits the potential for disputes at a later stage, makes both parties focus on the here-and-now, and ultimately provides DSM with more clarity and assurance about its tax positions.

In the Netherlands, DSM concluded a so-called tax covenant (‘horizontal monitoring’) with the Dutch tax authorities.

This entails on the one hand that the tax authorities can rely on DSM to provide any relevant information upfront, which can then be discussed in ‘real time’.

On the other hand, DSM benefits from upfront information and clarity in advance on expectations and obligations as well as fewer after-the-fact checks.

The tax covenant applies to all Dutch taxes (e.g. corporate income tax, VAT, wage taxes and various other direct and indirect taxes) due by all DSM’s legal entities.

Thus, both DSM and the tax authorities benefit from having this covenant in place, which is founded on transparency, trust and mutual understanding. DSM looks to implement similar arrangements in other countries.

5. Recommendations

The multinational organisations have demonstrated progress regarding tax transparency in the benchmark of 2017. The average transparency rating of the companies in scope increased from 32% in the benchmark of 2016 to 36% in 2017[7] . However, significant room for improvement is feasible, as the average score is below 50% of the total points. The number of companies scoring a minimal amount of points (0 – 10) remained the same at 37%. The response rate of 71% of this year's study remained almost the same as last year's 72%. The recommendations outlined below are based on the results of the Tax Transparency Benchmark 2016 and 2017.

To multinational companies

Governance (*2016 recommendations that remain valid)*

- Organise a proactive dialogue about your tax strategy, with the different stakeholders, such as investors, NGOs, trade unions, governments and clients, and ensure that this is an ongoing process.
- Keep the Executive Board up to date and share knowledge about the tax strategy.
- Incorporate your tax and CSR strategy in the decision-making processes.

Strategy

- 'Continue to include strategies to increase fiscal transparency.
- Monitor and test if the objectives of your tax strategy are met. This is an essential part of your Tax Control Framework and as appears in this benchmark, not sufficiently developed yet. How can you report on the performance of your tax strategy if you do not monitor and test how it functions in daily operations?
- Start with the design of a framework to enable you to provide internal and external comfort on tax positions and your tax governance (including strategy and tax controls framework). International developments make this a useful exercise.

(*2016 recommendations that remain valid)*

- Do not treat tax 'in isolation' when designing a tax strategy, see tax as part of both your broader business and your CSR strategy.
- Include tax in the business control and governance risk framework.

[7] The average score in 2016 tax transparency benchmark was 12.8 out of a maximum of 39 points. In 2017, the average score was 13.4 points out of a maximum of 37 points.

Implementation (*2016 recommendations that remain valid)*

- Based on the tax strategy, create tax criteria that are implementable (design them ina way that you can actually work with them in your daily operations).
- Implement, execute and monitor the tax strategy and criteria in the company's business operations and include KPIs for the tax department.
- Raise awareness around tax and the strategy, by organising training and communication programmes on an ongoing basis.
- Provide comfort to stakeholders on the execution of the tax strategy (including risk management) by communicating in a clear way via publicly available documentation.

Accountability (*2016 recommendations that remain valid)*

- Consider reporting on your corporate income taxes and other taxes, such as VAT, wage taxes and withholding taxes, on a country-by-country basis. Give a more complete picture by including information on revenues, profits, assets and FTEs on the same basis.

To tax authorities

- Develop, together with the business community, (regulated or voluntary) good tax governance standards for companies.

(*2016 recommendations that remain valid)*

- Increase the transparency of compliance management strategies and accountability on tax affairs with companies.
- Be transparent about how rules are applied.

To NGOs

- In public communications, evaluate to what extent you are activating a discussion on tax and whether you are contributing to restoring of trust in taxation.

(*2016 recommendations that remain valid)*

- Create an open and constructive dialogue with companies and focus on encouraging them to change. Differentiate in approach for the leaders and the laggards.
- Provide companies with best practices regarding responsible and transparent tax behaviour.
- Do not only focus on multinationals and tax advisors but also on tax administrations.
- Enter into dialogue with governments to promote transparency.

To tax advisory firms

- Act professional when it comes to tax governance, tax assurance and tax technology. This is not legal advice.
- Provide contextual tax advice.

(*2016 recommendations that remain valid)*

- See tax in a broader context, not only from a legal perspective.
- Promote responsible tax behaviour and support tax transparency initiatives of companies. Dare to have a robust dialogue on this topic.
- Apply the firm's tax code of conduct.
- Ensure alignment of tax advice with the clients tax strategy.

To investors

- Design and implement a tax strategy (with criteria) that applies to your own organisation and your investments.[8]
- Integrate tax in the valuation of investee companies and enter into a dialogue with portfolio companies on responsible and transparent tax behavior.

(2016 recommendations that remain valid)

- Design and implement a tax strategy (with criteria) that applies to
  a) your own organisation, b) your investments and c) how you structure your investments.
- Integrate tax in the valuation of investee companies by including it in investment and ESG policies. Collaborate with stakeholders to develop common standards.
- Enter into a dialogue with portfolio companies on the public and political debate on responsible and transparent tax behaviour.

To universities

- Educate students more broadly. Provide not only tax legal knowledge, but also on tax governance, tax assurance and tax technology.

[8] PwC & VBDO (2017). Investor Guide: Integration of tax in responsible investment.

References

ABN AMRO. (2016). ABN AMRO *Annual Report 2016*. Retrieved from: https://www.abnamro.com/nl/images/Documents/Investor_Relations/Financial_Disclosures/2016/ABN_AMRO_Group_Annual_Report_2016.pdf

Aegon. (2016). *Aegon Annual Report 2016*. Retrieved from: https://www.aegon.com/contentassets/ba816ee01cd54e9abdcd942f2fb9fcfe/aegon-annual-report-2016.pdf

AMG. (2016). *AMG Annual Report 2016*. Retrieved from: https://ig9we1q348z124x3t10meupc-wpengine.netdna-ssl.com/wp-content/uploads/AMG-Annual-Report-2016-FINAL.pdf

AMG. (2017). *AMG Tax Policy*. Retrieved from: https://ig9we1q348z124x3t10meupc-wpengine.netdna-ssl.com/wp-content/uploads/AMG-Tax-Policy-Final.pdf

Committee of Sponsoring Organizations of the Treadway Commission. (2017). *Enterprise Risk Management: Integrating with Strategy and Performance*. Retrieved from: https://www.coso.org/Documents/2017-COSO-ERM-Integrating-with-Strategy-and-Performance-Executive-Summary.pdf

Corbion. (2016). *Corbion Annual Report 2016*. Retrieved from: http://www.corbion.com/media/580437/corbion-annual-report-2016_final.pdf

DSM. (2016). *Taxation at DSM 2016*. Retrieved from: https://www.dsm.com/content/dam/dsm/cworld/en_US/documents/position-paper-taxation-at-dsm.pdf

European Commission. (2012). *Recommendation on Aggressive Tax Planning*. Retrieved from: http://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/taxation/tax_fraud_evasion/c_2012_8806_en.pdf.

European Commission. (2016). *Introducing public country-by-country reporting formultinational enterprises – Questions & Answers.* Retrieved from: http://europa.eu/rapid/press-release_MEMO-16-1351_en.htm

European Commission. (2016). *Why Public Country-by-Country Reporting for Large Multinationals is a must – Questions & Answers*. Retrieved from: https://financialtransparency.org/wp-content/uploads/2016/02/Joint_Civil_Society_QA_pCBCR.pdf

European Commission. (2016). *Proposed tax transparency rules for multinationals*. Retrieved from: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/public-country-country-reporting_en

European Parliament. (2017). *EU Legislation in Process*. Retrieved from: http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/595867/EPRS_BRI(2017)595867_EN.pdf

Federation of European Accountants. (2016). *Public Country-by-Country Reporting: A template for disclosing corporate tax information.* Retrieved from: https://polcms.secure.europarl.europa.eu/cmsdata/116028/Public%20CBCR%20teplate_Accountancy%20Europe.pdf

Federation of European Accountants. (2016). *Comments on the European Commission's public Country-by-Country Reporting proposal*. Retrieved from: https://www.accountancyeurope.eu/wpcontent/uploads/161115_FEE_public_CBCR_letter.pdf

Gribnau, H. (2017). The Integrity of the Tax System after BEPS: A Shared Responsibility. *Erasmus Law Review*, 10, 12.

Gribnau, H. J., & Jallai, A. G. (2017). Good Tax Governance: A Matter of Moral Responsibility and Transparency. *Nordic Tax Journal*, 2017(1), 70-88.

HMRC. (2015). *Code of Practice on Taxation for Banks, Annual Report*. Retrieved from https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/488869/The_Code_of_Practice_on_Taxation_for_Banks_-_Annual_Report_2015.pdf

Knuutinen, R. (2014). Corporate Social Responsibility, Taxation and Aggressive Tax Planning. *Nordic Tax Journal*, 2014(1), pp. 36-75.

KPN. (2016). KPN Integrated Annual Report 2016. Retrieved from: https://jaarverslag2016.kpn/wp-content/uploads/2016/12/Integrated-Annual-Report-2016-Spread-version.pdf

Murphy, R. (2012). *Country-by-Country Reporting: Accounting for globalisation locally.* Tax Justice Network. Retrieved from: http://www.taxresearch.org.uk/Documents/CBC2012.pdf

NRC. (2017, 28 juli). De tech-revolutie groeit helemaal scheef. Retrieved from: https://www.nrc.nl/nieuws/2017/07/28/de-tech-revolutie-groeit-helemaal-scheef-12284154-a1568230.

Organisation for Economic Co-operation and Development. (2013). *Addressing Base Erosion and Profit Shifting (BEPS)*. Paris: OECD Publishing.

Randstad. (2016). *Randstad Annual Report 2016*. Retrieved from: https://www.ir.randstad.com/~/media/Files/R/Randstad-IR-V2/annualreports/annual_report_randstad_2016.pdf

VBDO & Oikos. (2014). Good Tax Governance in Transition: Transcending the tax debate to CSR. Retrieved from: http://www.vbdo.nl/files/media/VBDO_A5_Good_Tax_Governance_D.pdf.

Van Lanschot. (2016). *Van Lanschot N.V. Fiscal Policy*. Retrieved from: https://www.vanlanschotkempen.com/media/2373/fiscal-policy-van-lanschot-nv-2016-09.pdf

Vellenga, I., & Reijngoud, A. (2015). *Tax Transparency Benchmark 2015. VBDO*. Retrieved from: https://www.ibfd.org/sites/ibfd.org/files/content/pdf/VBDO_Tax-Transparency-Benchmark-2015.pdf.

Verstappen, R., Van den Akker, M., & Kamp, L. (2016). *Tax Transparency Benchmark 2016*. VBDO. Retrieved from: http://www.vbdo.nl/files/news/VBDOTaxTransparencyBenchmark2016.pdf.

Verstappen, R., Van Aalst, M., & Reubzaet, D. (2017). *Investor Guide. Integration of tax in responsible investment.* VBDO. Retrieved from: http://www.eurosif.org/wp-content/uploads/2017/09/VBDOInvestorGuideIntegrationof-taxinresponsibleinvestment.pdf.

Vopak. (2016).*Vopak Annual Report 2016*. Retrieved from: https://www.vopak.com/system/files/royal_vopak_annual_report_2016.pdf

Appendix A:
Jury report 2017

The jury is pleased to see that this year transparency on tax has improved again. Improvements included an increase of audit committee reviews of the tax strategy, improved reporting on companies' tax risks and tax risk responses, and an increase of programmes to deal with ethical tax dilemmas. The jury noticed that the improvements are less steep than in previous year.

Jury members

The jury consists of four members acting in their personal capacity, who have been appointed by the VBDO. The jury is independent from the VBDO and is formed by the following members:

- Hans Gribnau, professor of tax law at Tilburg University and Leiden University;
- Victor van Kommer, director of tax services at the International Bureau of Fiscal Documentation (IBFD) and professor of tax policy at Utrecht University;
- Carola van Lamoen, head of active ownership at Robeco;
- Francis Weyzig, policy advisor at Oxfam Novib.

Nominees

The jury discussed the eight companies that scored highest in the 2017 Tax Transparency Benchmark: DSM, Vopak, AEGON, KPN, Unilever, Rabobank, ABN AMRO and Van Lanschot.

Winner

From the nominees, the jury selected the winner based on the following criteria:

- Score and analysis performed by the VBDO
- Depth of tax strategy
- Embedding of tax strategy into the organisation
- Sector and the availability of a mandatory legal framework
- Lack of known controversies

The jury would like to congratulate **DSM** on winning the 2017 Tax Transparency Award. This was a unanimous decision.

DSM was the top-scoring company in the benchmark. The company showcased that it is proactively seeking to act in a responsible and transparent way regarding its taxation. One of the main examples was that DSM published its country-by-country data based on the countries with the largest presence.

Furthermore, the members of the jury applauded that DSM clustered all information regarding taxation in one document, which improves the accessibility and transparency. Finally, there were no known controversies found regarding the tax behaviour of DSM. Summarising, at DSM responsible taxation is at the core of the organisation.

Large improvements

The jury also noted three companies that showed a large improvement in comparison with last year. These are **Vopak**, **TKH** and **AMG**. These companies showed such a significant level of progress, that they have become more front-running companies. It shows that these companies made a large effort on transparency on tax.

Good practices

During the assessment of the nominees, the jury identified several good practices. The statement in which AEGON describes how it deals with tax incentives was well received. Furthermore, KPN was mentioned as an exemplary company since it provides information about its activities per country even though it is active in a limited number of countries. Finally, also the explanation of its effective tax rate, including a clear visualisation and separate mentioning of the effect of the innovation box, was applauded.

Recommendations for next year

The jury supports the initiative to review the benchmark methodology to keep the benchmark methodology relevant and up to date. It has provided the researchers with some recommendations to improve the current methodology:

- Increase the level of ‘show me what you are doing’ rather than ‘tell me what you are’. This ensures that companies where responsible taxation (and fiscal transparency) is at the core of the organisation will receive the highest scores.
- Regarding the countries that apply Country-by-Country Reporting: report on the countries where the company has the largest presence or explain why the company has not selected these countries. Or, alternatively, provide a full list, just like financial institutions are obligated to do under CRD IV.
- Supplement the Country-by-Country Reporting question with sales and profit figures to allow comparing these with the corporate income tax figures.
- Ask companies to provide more details regarding their stakeholder consultation.

Appendix B
Methodology in detail

This appendix contains a comprehensive list of all indicators and their respective scores.

	A. Define and communicate a clear strategy	*Points*
1.	Does the company communicate its views on tax? (e.g. in the annual report / CSR report / website / other)	1
2.	Has the company's tax strategy/policy been part of the dialogue with the company's stakeholders? (including investors and civil society organisations)	1
3.	Does the company explain to what extent the stakeholder dialogue has influenced the tax strategy/policy?	1
4.	Is a vision of the company's relationship with the tax authorities included in the tax strategy?	1
5.	Does the company see tax as part of its corporate social responsibility?	1
6.	Have the KPIs of the tax department been clearly communicated?	1
7.	Does the audit committee review the tax strategy?	1
8.	Does the company describe the status and the progress of the implementation and execution of the tax strategy?	1

	B. Tax must be aligned with the business and is not a profit centre by itself	
9.	Does the company state that its business operations are leading in setting up international structures, i.e., that it declares profits and pays taxes where the economic activity occurs?	1
10.	Does the company explicitly state that it does not use 'tax havens' for tax avoidance?	1
11.	Is there an effective tax rate to statutory tax rate reconciliation?	1
12.	Is the origin of the difference explained in detail? (Quantitative and qualitative)	1
13.	Is there an explanation for the difference between cash tax paid and the effective tax rate?	1
14.	Is the impact of tax on earnings per share discussed in the annual report?	1

15.	Does the company report on the (potential) impact of Country-by-Country Reporting regulations?	1
16.	On what basis does the company report on corporate income tax?	
	• Country	3
	• Region	2
	• Company-wide	0
17.	If the company reports on corporate income tax on a geographic basis, does the company also provide information on revenues, profits, assets and FTEs on this basis?	1
18.	Does the company provide information on taxes other than corporate income tax? (VAT, Withholding taxes, Wage taxes, etc)	1
19.	On what basis is this done?	
	• Country	2
	• Region	1
	• Company-wide	0

C. Respect the spirit of the law. Tax compliant behaviour is the norm

20.	Does the company explicitly communicate that its tax planning strategy is based on the spirit of the law?	1
21.	Does the company have a program in place on how to deal with tax dilemmas for its tax, legal and compliance officers?	1

D. Know and manage tax risks

22.	Does the company explicitly describe its tax risk appetite?	1
23.	Does the company report any tax risks, including: financial, regulatory or reputational risks?	1
24.	Are the tax risks described in detail? (Not just as an enumeration)	1
25.	Is there a description of the company's response to these tax risks?	1

E. Monitor and test tax controls

26.	Is tax mentioned in the control section of the annual report?	1
27.	Is mentioned that the internal audit department is involved in monitoring tax control?	1
28.	Is tax risk management included in the reporting to the audit committee?	1

F. Provide tax assurance

29.	Does the company provide a Tax In-control statement?	1
30.	Does the company provide third party tax assurance to stakeholders?	1
31.	Does the company participate in a co-operative compliance program? (in the headquarters country)	1

VBDO (Dutch Association of Investors for Sustainable Development)
www.vbdo.nl

Pieterstraat 11, 3512 JT Utrecht, the Netherlands
T +31 (0) 30 234 00 31, info@vbdo.nl