

Susan Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

04 December 2017

Dear Director Cospers,

Re: Comments on the Exposure Draft for the Proposed Accounting Standards Update to Income Taxes (Topic 740)

The PRI is writing to you in support of the efforts of the Financial Accounting Standards Board to better align disclosures of the tax policies and practices of multinational companies with investors' needs. In particular, we welcome the proposed disclosure of disaggregated information on taxes from companies. We would encourage consideration of additional reporting requirements that would enhance tax transparency. We provide further detail below.

About the PRI

The [Principles for Responsible Investment](#) (PRI) is the world's leading initiative on responsible investment. The PRI has over 1800 signatories globally with over \$70 trillion in assets under management.¹ The US is the PRI's largest market with 347 signatories and over USD\$36 trillion in assets under management.

Responsible investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns. It is driven by a growing recognition in the financial community that evaluation of ESG issues is a fundamental part of assessing portfolio value and investment performance.

PRI's work on corporate tax

Corporate tax responsibility has been increasingly identified as a key area of interest among PRI members. Investors are keen to understand how their investee companies are positioned on tax issues, given the major tax-related regulatory changes that are occurring around the world. However, investors lack sufficient granularity on corporate taxes to understand risks and opportunities that may arise from these regulatory changes. A corporate reporting requirement for disaggregated information on corporate taxes paid along with additional disclosure on revenue, FTE employees, net income and assets across

¹ <https://www.unpri.org/directory/>

the countries in which companies are operating will be a significant step in enhancing transparency. It will also enable informed company-investor dialogue on tax related issues.

Recommendations on corporate income tax disclosure

In 2015, the PRI convened an investor taskforce on corporate tax responsibility to facilitate better understanding of tax related risks and encourage dialogue with investee companies. In March this year, the PRI and the investor taskforce developed a series of [recommendations](#) for enhancing corporate tax transparency (a copy is also attached). The recommendations endorse company disclosure of meaningful information in the following areas:

- An overarching tax policy that discusses the company's governance and oversight frameworks and management systems for managing tax-related risks.
- An analysis and explanation of the drivers of the gap between the company's effective tax rate shown on income statement and the company's weighted average statutory rate based on the firm's geographic sales mix
- An overview of the key tax strategies driving the changes in the company's unrecognized tax benefit (UTB) balance
- Disclosure on intracompany debt, including the countries where the debt is held, the amount of intracompany debt, and the average interest rate paid by other subsidiaries on that debt
- The most financially material tax incentives across jurisdictions; information on expiries of all incentives, investment requirements and commentary regarding the likelihood that such incentives will not be renewed should be provided
- Information on revenues, taxes paid, FTE employees, net income and assets across all countries

The PRI recommends that the FASB integrates them in finalizing the Proposed Accounting Standards Update to Income Taxes. Increased disclosure will provide investors with sufficient information to assess a company's corporate tax risks and opportunities.

Sincerely,



Fiona Reynolds
Managing Director