ESG on the move

The role of tax directors

Webinar
3 June 2021

pwc

Here for you today

Erik
Steiger

Leader of ESG and Tax Reporting & Strategy

PwC Switzerland

erik.steiger@pwc.ch

Christophe
Bourgoin

Leader Sustainability & Investor Reporting

PwC Switzerland

Christophe.d.bourgoin@pwc.ch

Dr. Antonios
Koumbarakis

Head of Sustainability & Strategic Regulatory

PwC Switzerland

antonios.koumbarakis@pwc.ch

Patricia
More

EMEA ESG CoE

PwC Switzerland

patricia.more@pwc.ch

Charalambos
Antoniou

Swiss Tax Function Design Leader

PwC Switzerland

charalambos.antoniou@pwc.ch

Christian
Schiltz

Head of Corporate Responsibility

Bank Vontobel

chrisitan.schiltz@vontobel.com

What does ESG mean?

A wave of transformation has begun

The ESG agenda has crystallised climate change and sustainability as a strategic issue for business

What is ESG?

Environmental, Social and Governance – ESG is an umbrella term to express

- The organisation’s purpose beyond value growth for its own sake only;
- The fiduciary duty towards climate and society.

ESG encompasses hard and soft criteria that shape a company’s environmental commitment and impact on society.

Key Drivers

Policy makers	Seeking to make progress against environmental and climate targets, reducing inequality across society, create a fairer and more transparent business landscape
Investors	Increasing interest in alignment investment decisions with values, acknowledgement that long-term value lies in companies that are purpose driven and ‘do good’, alignment with stakeholder vs shareholder
Wider society	Greater demand by consumers for environmentally friendly goods and services, employee desire to align work with values, increasing demand for transparency and fairness. Social license to operate.

A new way of thinking for policy makers

Taxation, investment and trade will be a key focus for policy makers as they look to stimulate growth aligned to the ESG agenda

Dimensions

Environmental Minimising the impact of a firm on nature	Products & Services Supply chain & Distribution Operations
Social The contribution of a company to fairness in society	Products & Services Supply chain & Distribution Workforce
Governance Quality of processes for decision making, reporting and ethical behaviour	Transparency Accountability Independence Ethical behaviour

Connection to taxation, investment and trade

Taxes, duties, charges and incentives will increasingly be linked to environmental policy goals and will be designed to limit embedded carbon and emissions leakage in cross-border trade

Global transformation of **energy infrastructure, use of material resources and adoptions in the supply chains** will generate investment and trade opportunities

Capital markets will increasingly price-in ESG factors, lowering the cost of capital for high performers and raising it for laggards

Transparency and high standards of corporate governance will provide businesses with a license to operate at home and abroad, and will be a key driver of shareholder value

What are our clients asking about?

Policy

What policy developments at Swiss, EU and global level might impact my business in the future?

How can I engage with relevant authorities where gaps between policy and practical implementation make compliance difficult?

People, Purpose and Culture

What are my labour and workforce obligations across my supply chain? (e.g. gender and ethnicity pay gap reporting, minimum wage)?

How can I ensure that my workforce is aligned with my ESG strategy and overarching corporate purpose?

Incentives and grants

What ‘green’ tax incentives, R&D credits, capital allowances, and grants are available in the territories I operate in?

How does this impact decisions on the location and structure of my business?

Environmental Taxes and Regulations

How will the development of future environmental taxes and regulations affect supply chains and business models?

How can I ensure that my data quality and systems are fit to meet reporting standards and implementation of environmental taxes?

Renewables

How can I incorporate renewable energy into my operations and supply chain?

What will the tax consequences of this change be?

Tax Reporting and Transparency

Will my ESG tax strategy withstand scrutiny from key stakeholder groups?

Are my systems robust enough to support my internal and external ESG messaging?

How can I be sure that all of my tax governance obligations have been identified and are being met?

Legal

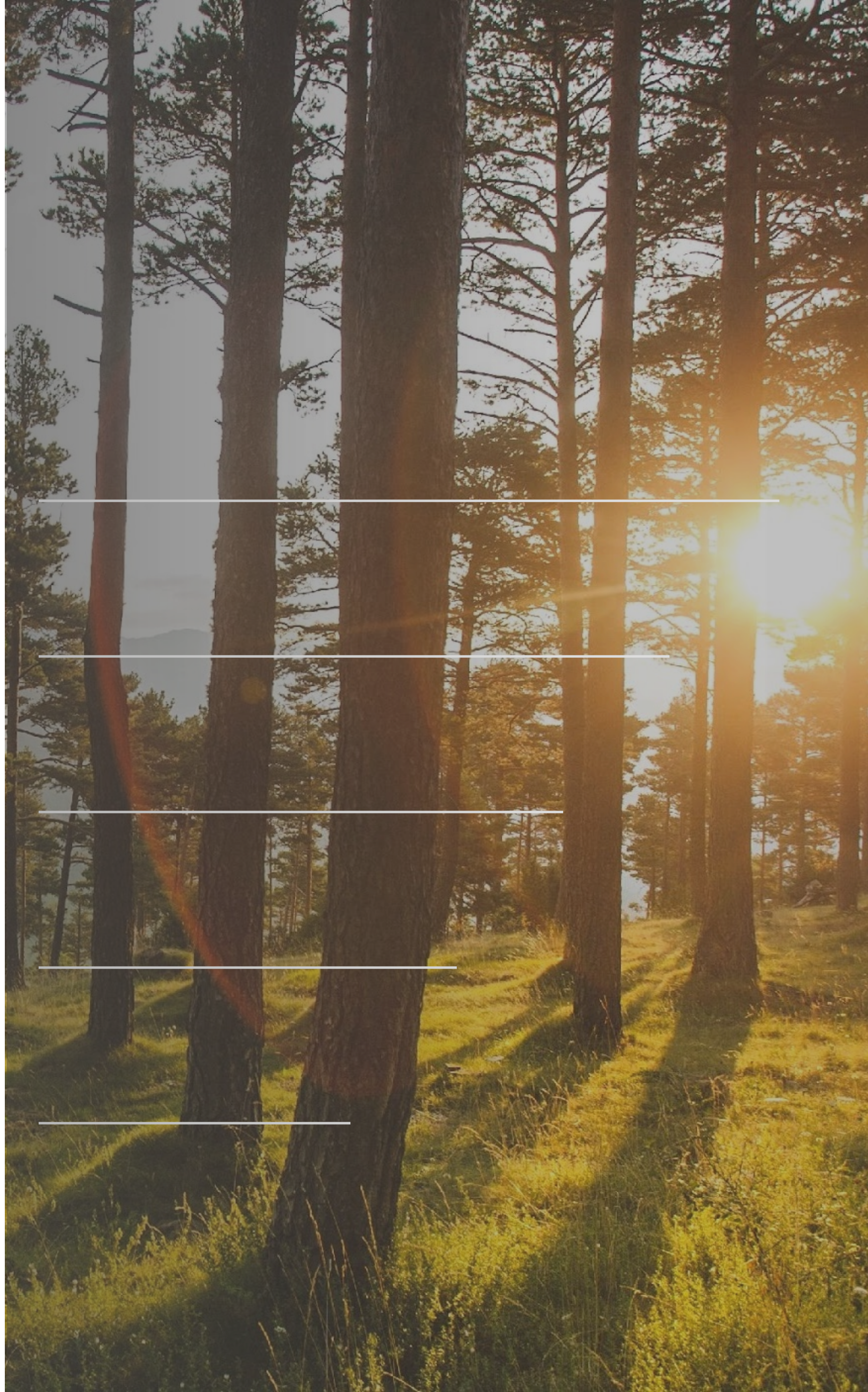
What are my product stewardship and extended producer responsibilities in the jurisdictions I operate in?

I need to understand the legal aspects of the potential pass through of costs from producers through the supply chain.

Transfer Pricing

What are the broader tax and transfer pricing implications of changes to my business model driven by the ESG agenda?

Agenda

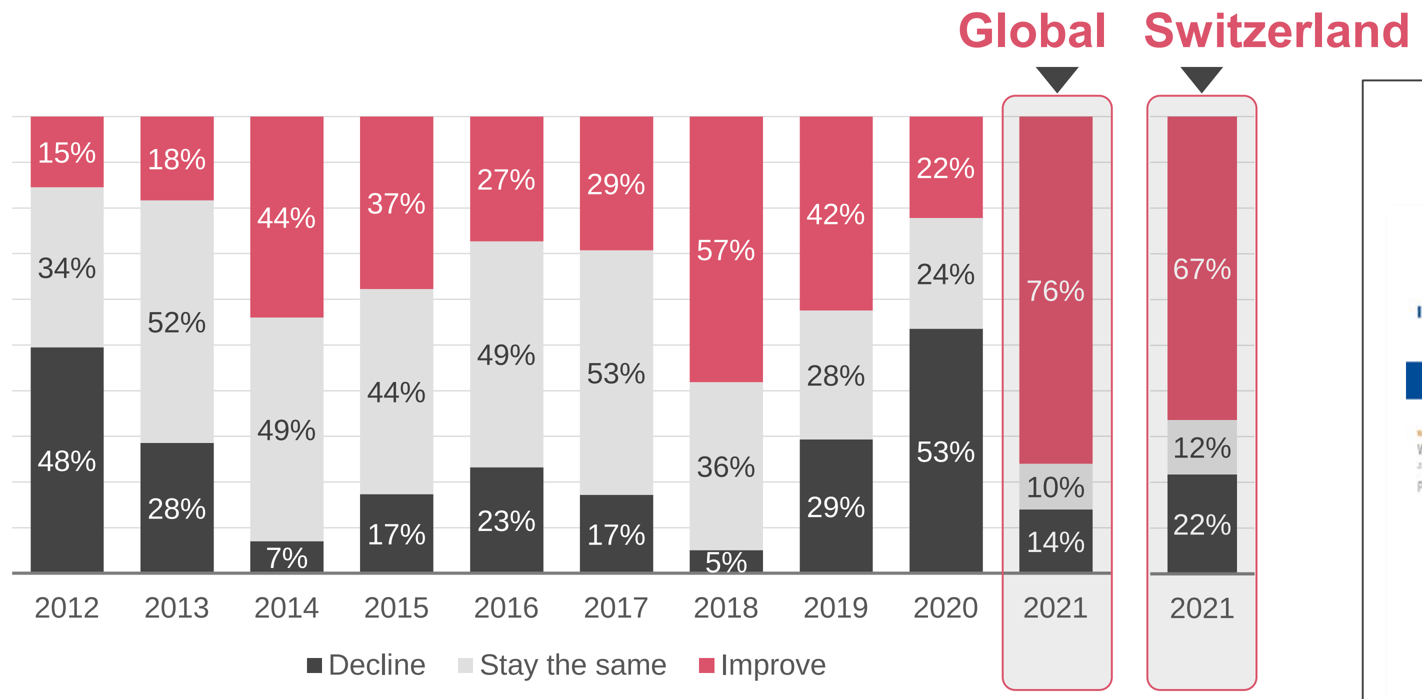


Key ESG takeaways from the 24th Annual Global CEO survey

Coming off of a global recession (**-3.5% GDP**), a record share of CEOs believe global economic growth will improve in 2021

An improved outlook

One year after the WHO declared COVID-19 a pandemic, 76% of global CEOs (67% in Switzerland) believe global economic growth will improve in 2021. That’s nearly 20 percentage points greater than the previous record high for optimism, over all the years we have been asking this question.

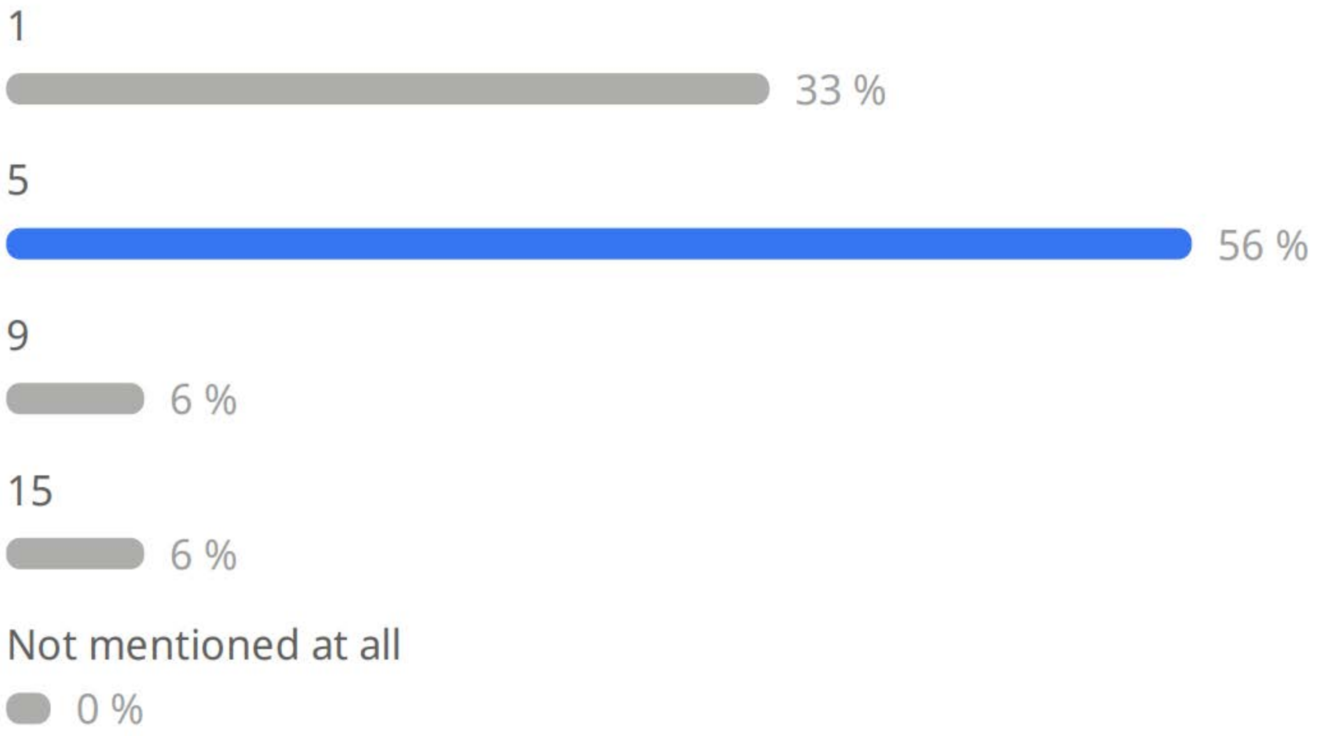


Question Do you believe global economic growth will improve, stay the same or decline over the next 12 months?

Note: From 2012 to 2014, respondents were asked, ‘Do you believe the global economy will improve, stay the same or decline over the next 12 months?’

Out of all the concerns from CEOs, where did Climate Change (only one part of ESG) rank in our global CEO survey completed during last winter?

slido

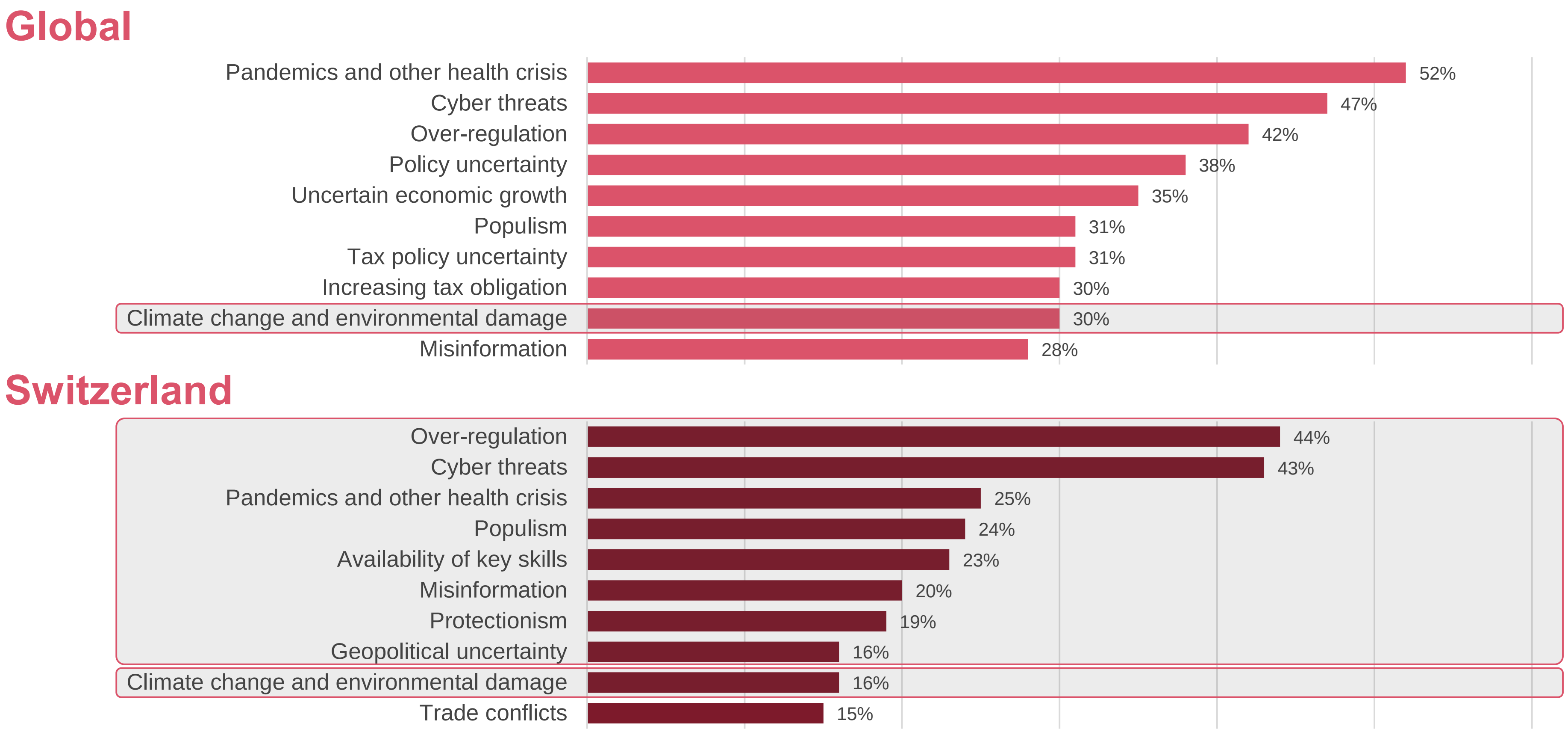


Over regulation is the #1 threat in Switzerland

Showing only **top ten** **'extremely concerned'** responses

Question

How concerned are you, if at all, about each of these potential economic, policy, social, environmental and business threats to your organisation's growth prospects?



Note: "Pandemics and other health crises" was last included as a threat in the 18th Annual Global CEO Survey

CEOs believe their organisations need to do more to 'measure' and especially more to 'report' on their environmental impact...

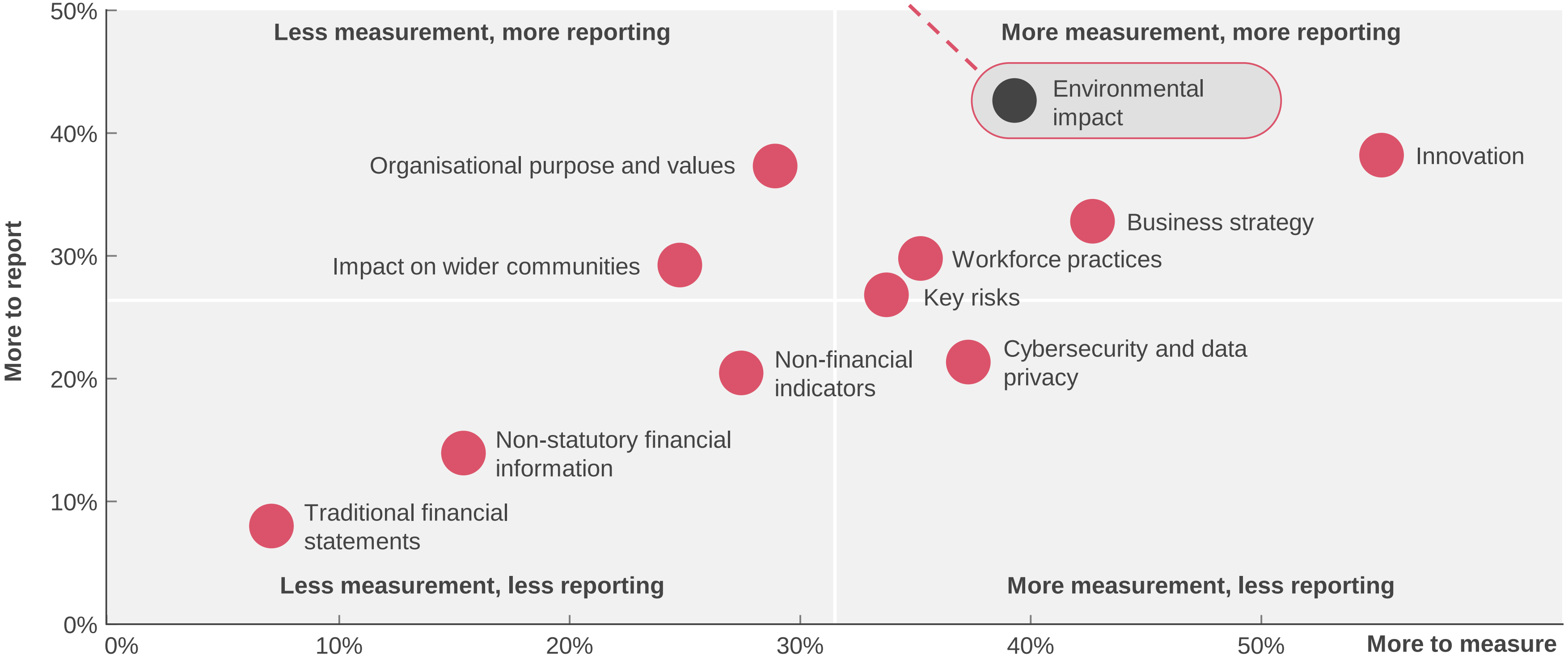
Question

In which of the following key areas of impact and value do you believe your organisation should be doing:

A	More to **measure**
B	More to **report**

40% of CEOs globally and **36%** in Switzerland have factored climate change into their strategic risk management activities

39% of CEOs globally and in Switzerland believe their organisation needs to do more to 'measure' their organisation's **environmental impact** and **43%**, **globally** (**38% in Switzerland**) believe their organisation needs to do more to 'report' on it.



...but for real transformation radical intervention from government is needed

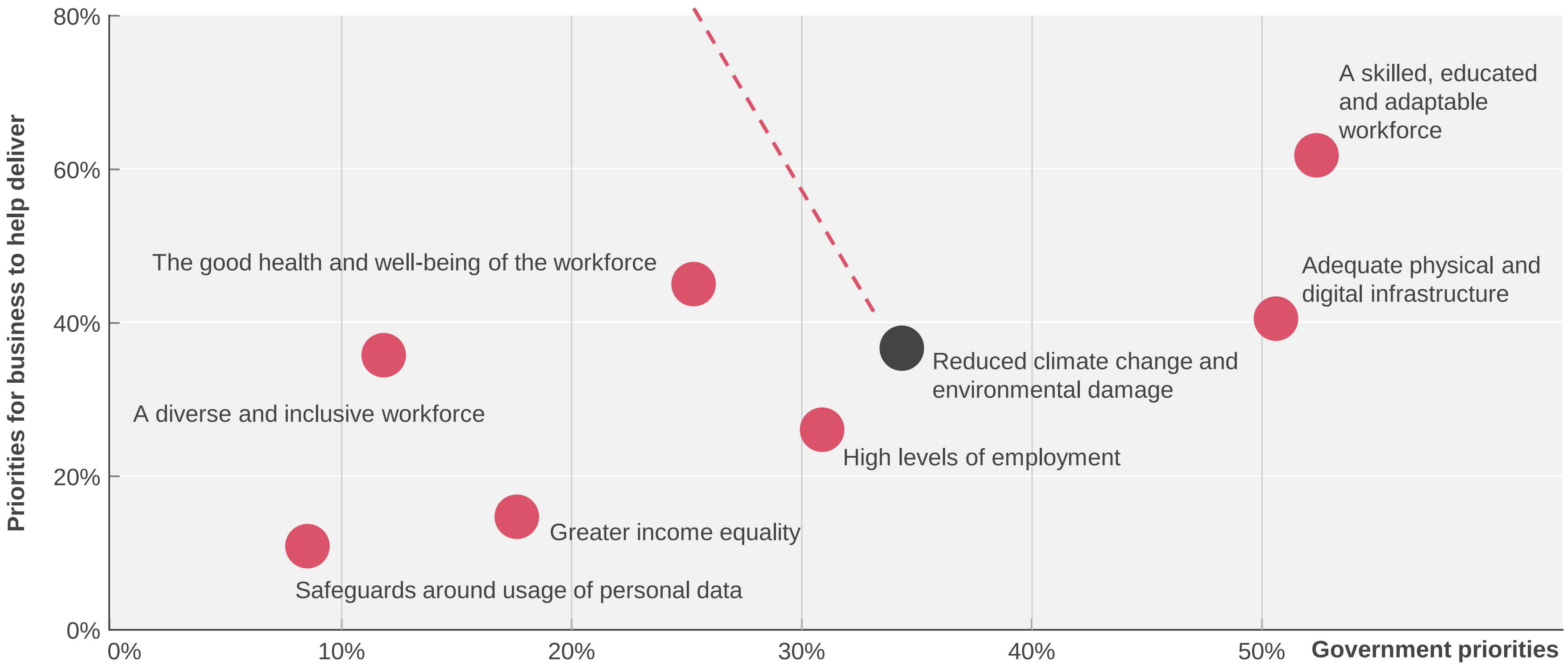
Question

Which three of these outcomes in the country/ territory in which you are based do you think should be:

A	Government priorities
B	Priorities for business to help deliver

34% of CEOs (**45%** in Switzerland) said '**reduced climate change and environmental damage**' should be a top three outcomes for government to prioritise

34% of CEOs (**35%** in Switzerland) said it should be a top three outcomes for business to prioritise to help deliver.

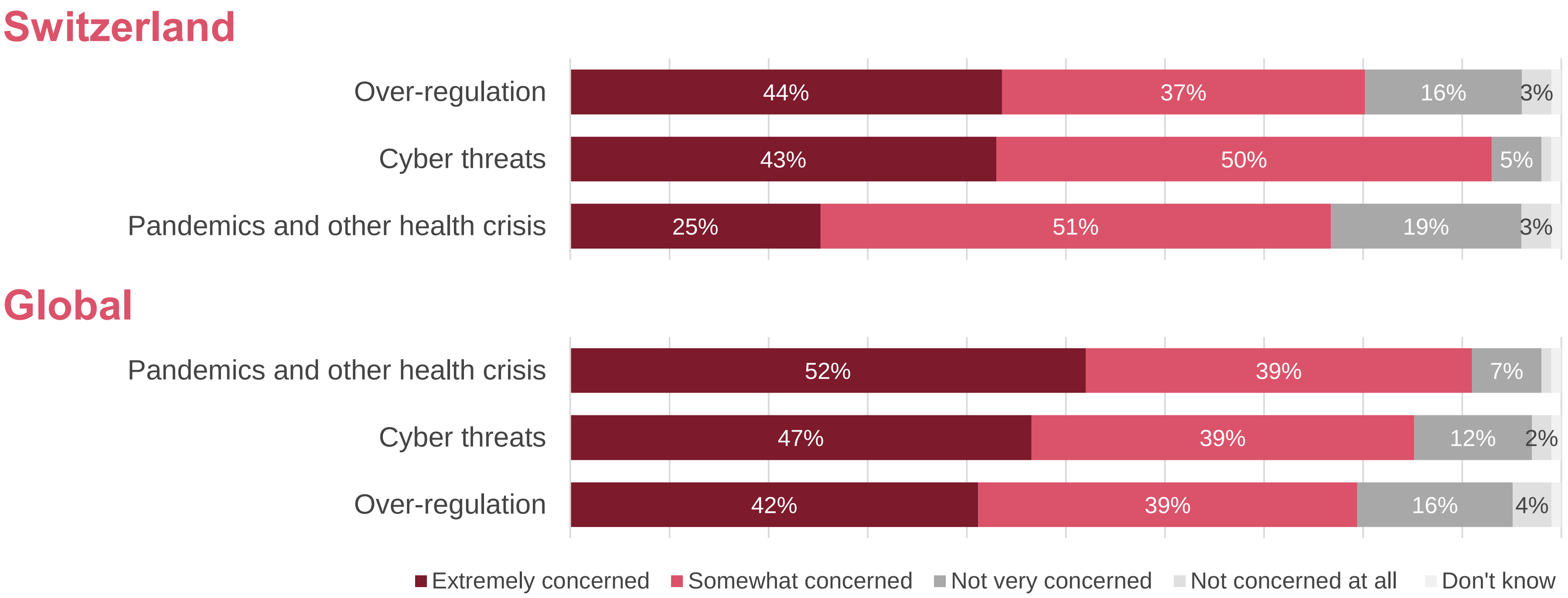


Cybersecurity is the concern for 93% of Swiss CEOs

Question

Please find below a list of potential business, economic, policy, social and environ-mental threats to your organisation's growth prospects.

How concerned are you, if at all, about each of these?



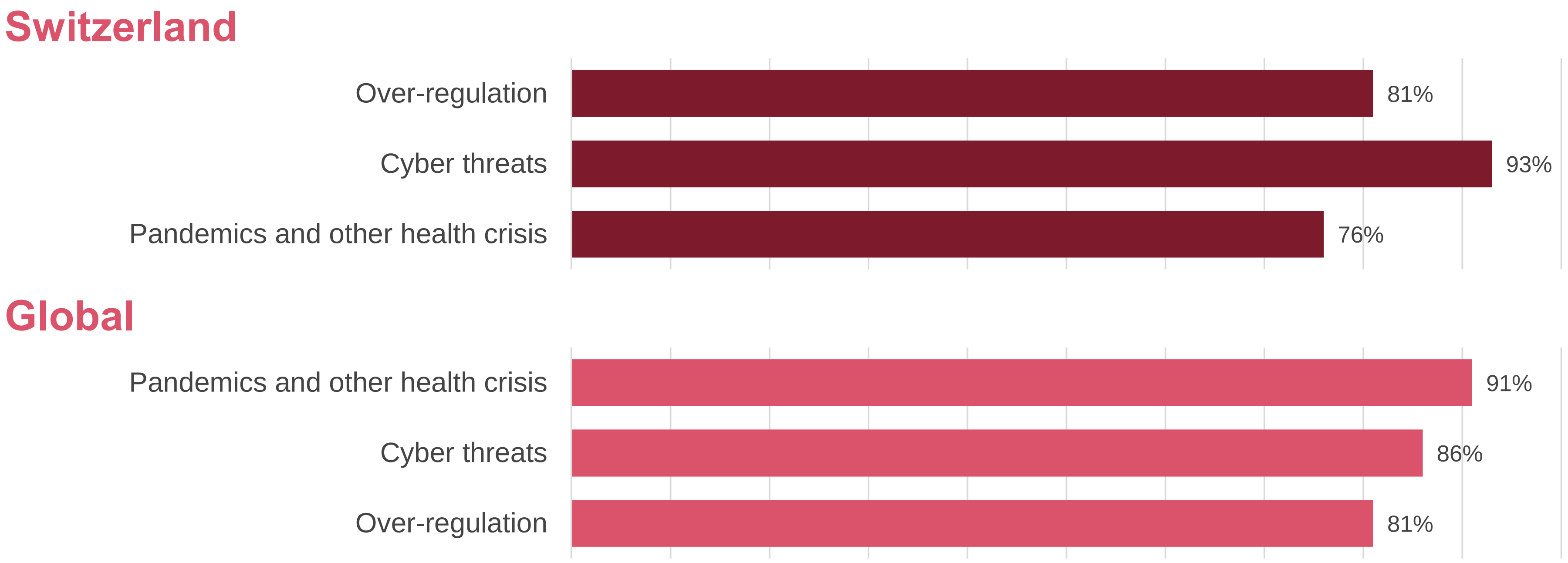
40% of It coincides with the rapid acceleration of companies' digital transformation during the pandemic, with no plans to slow down. **49% of CEOs globally and 51% in Switzerland** project double digit increases of 10% or more in digital transformation.

Cybersecurity is the concern for **93% of Swiss CEOs**

Question

Please find below a list of potential business, economic, policy, social and environmental threats to your organisation's growth prospects.

How concerned are you, if at all, about each of these?

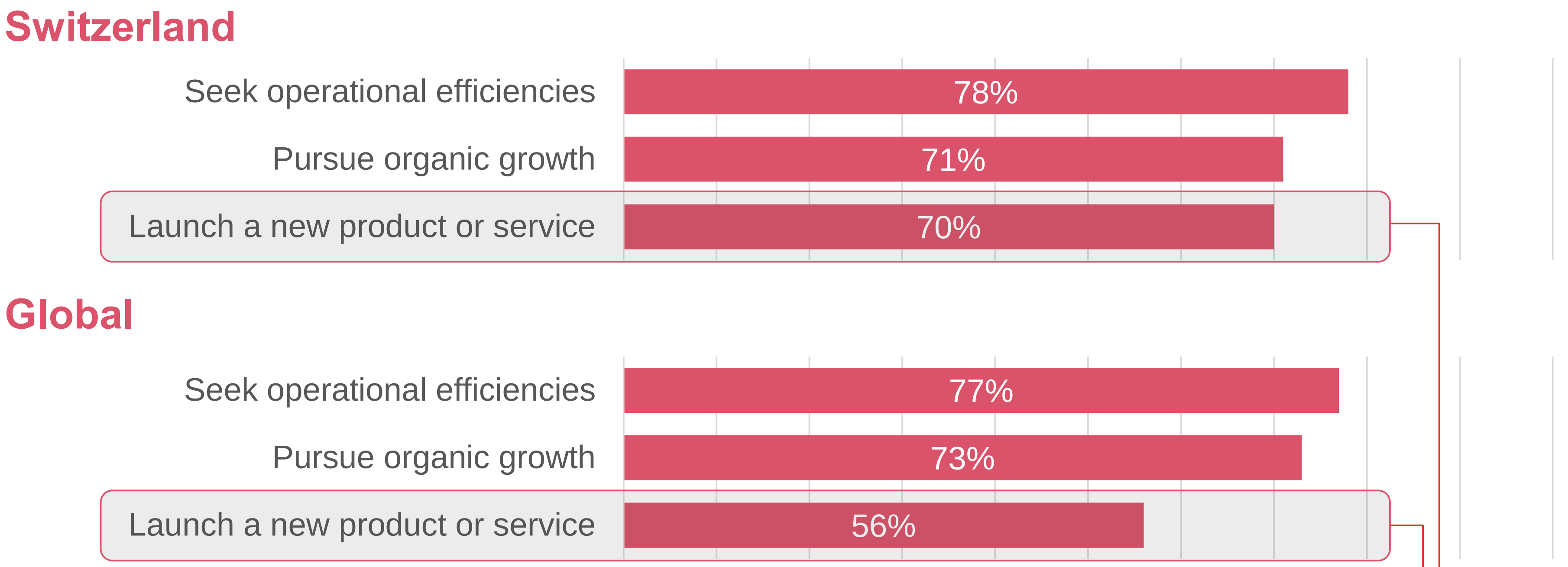


40% of It coincides with the rapid acceleration of companies' digital transformation during the pandemic, with no plans to slow down. **49% of CEOs globally and 51% in Switzerland** project double digit increases of 10% or more in digital transformation.

Swiss companies are eager to invest in new products and services in order to drive growth in the next 12 months

Question

Which of the following activities, if any, are you planning in the next 12 months in order to drive growth?

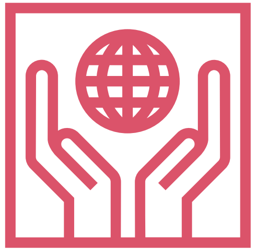


59% of Swiss leaders believe they need to **step up efforts in the area of innovation** (globally: 55 %)

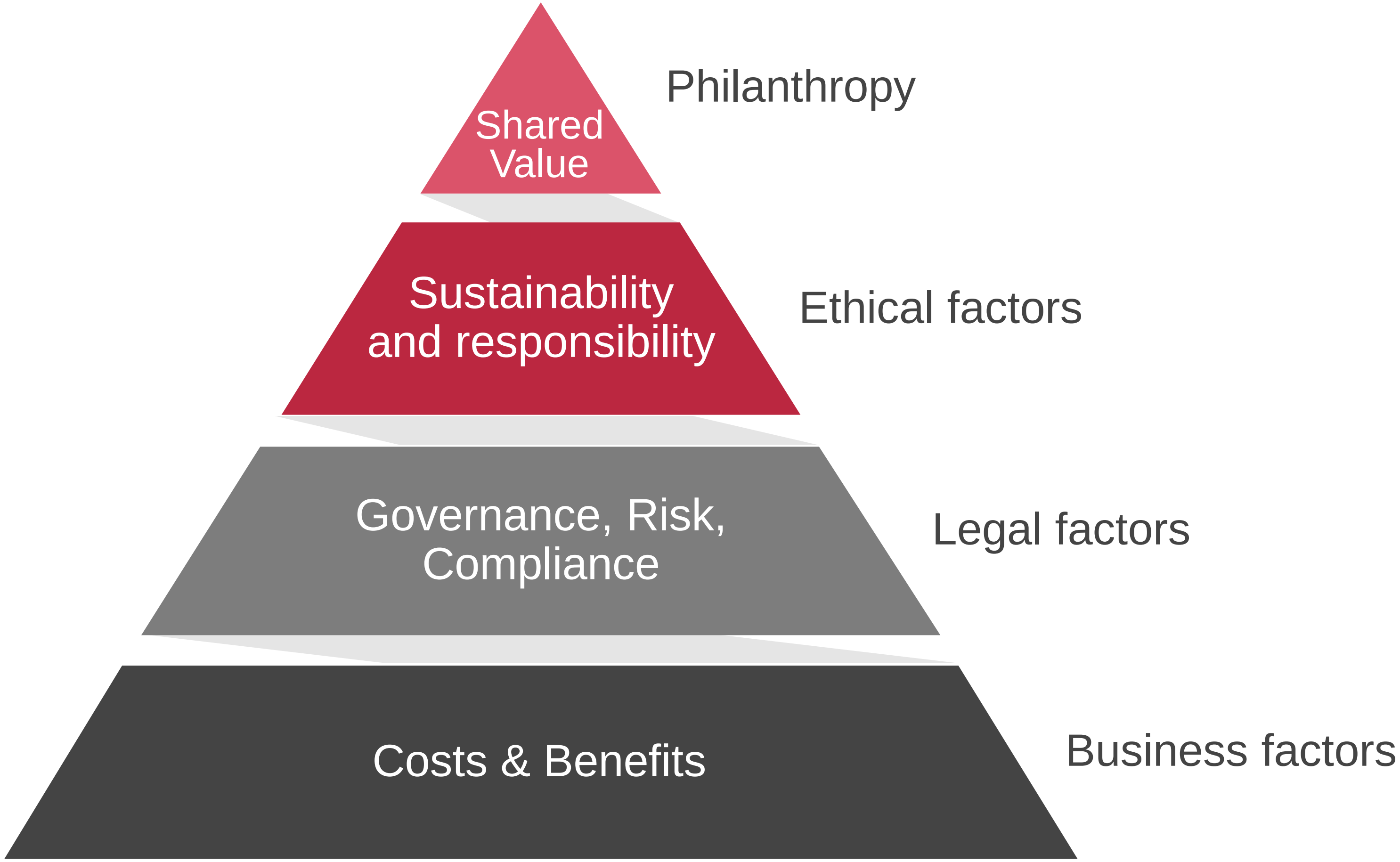
ESG on the move – Overview on the most relevant taxes

Social demands on the activities of companies are increasing…

Paradigm shift



From a costly ideology to the major trend in Financial Services in the 2020ies – Sustainability as key success factor



Note: From 2012 to 2014, respondents were asked, ‘Do you believe the global economy will improve, stay the same or decline over the next 12 months?’

...and law makers and regulatory bodies increase the pressure...

Paradigm shift

Various global organizations have issued recommendations, targets and regulations with the aim of steering the world on a more sustainable course.

UN 2030 Agenda (SDGs) – 2015

Adoption of 17 Sustainable Development Goals by the United Nations for implementation by 2030.

UN Paris Agreement – 2015

Paris Agreement to limit global warming to well below 2°C above pre-industrial levels.

FSB TCFD Recommendations – 2017

Publication of the final report of the FSB Task Force on Climate-related Financial Disclosures (TCFD).

Green New Deal / Biden Plan – 2021

The ‘Biden plan’ aims to **invest 2 trillion USD** to tackle climate change and support economic recovery from the COVID-Crisis in the US. The European green deal

EU Action Plan / EU Green Deal / EIOPA strategic plan – 2018 / 2020

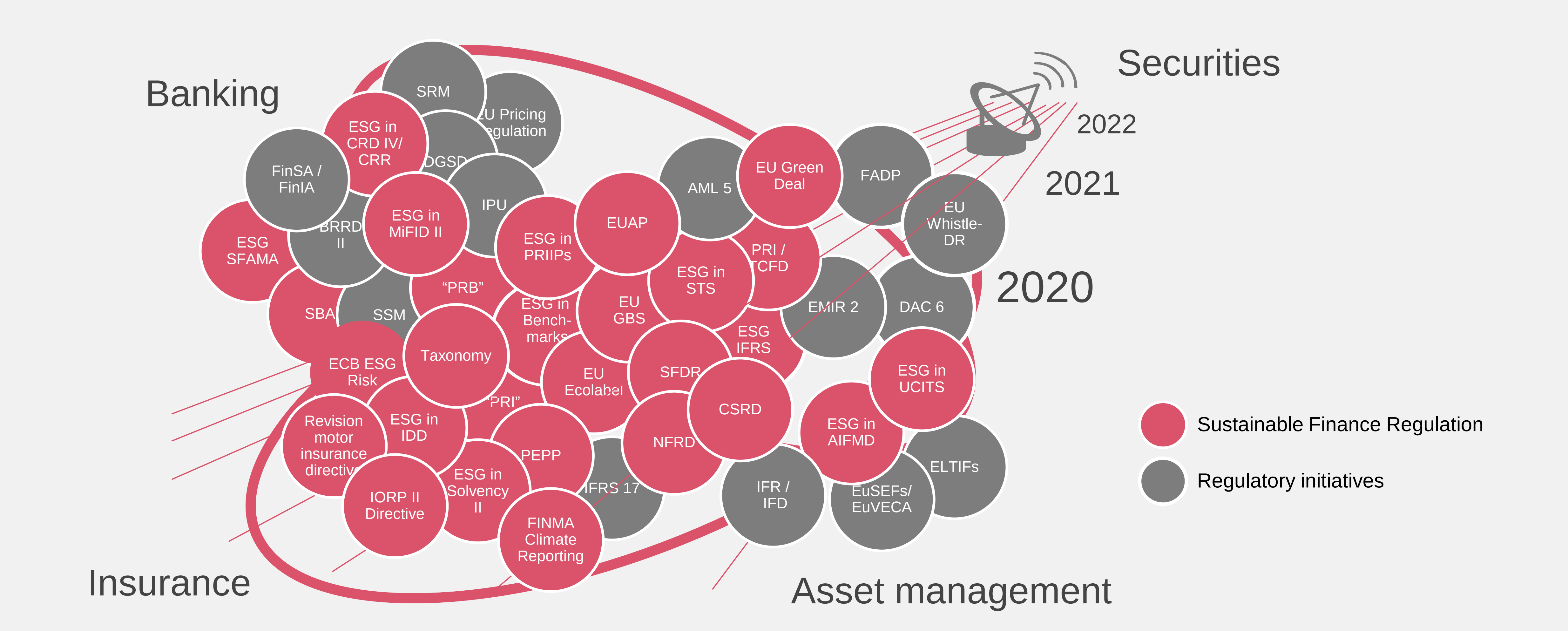
Adoption of the Financing Sustainable Growth Action Plan by the EU Commission (2018). Supported by a 1 trillion EUR deal – EU Taxonomy, CSRD, NFRD, SFDR regulations on the move

CO2 Act / FINMA reporting 2020 / ESG in CISA

Requirement for FS-sector to drift capital flows to sustainable investments

- FINMA reporting requirements on ‘climate risks based on TCFD recommendations,
- Revision of the Collective Investment Schemes Act (CISA) on ESG

...the regulatory tsunami is turning green and tax are on the move



Developments in the financial sector EU / Switzerland

Topic	EU Action Plan (EUAP)			Switzerland		
	MiFID II / UCITS / AIFMD	**SFDR**	**Taxonomy**	**FINMA – Climate risk disclosure**	**SBA (best practice)**	**SFAMA (best practice)**
Point of Sales	Sustainability preferences in the suitability process	Integration of sustainability risk and principal adverse impact in the investment advice	Indirect Impact	–	Determine client expectations with respect to ESG investing, document them as part of the advisory process	Inform clients about the sustainability performance of a given product by integrating relevant ESG Key Performance Indicators
Product Governance	Integration of sustainability preferences in the target market/ sustainability factors	Indirect Impact	Indirect Impact	–	Outline the range of ESG investment solutions and match characteristics of ESG investment solutions with client expectations	Integrate ESG into a product (e.g. which approaches are applied (negative screening etc.))
Corporate Disclosure	Indirect Impact	Sustainability risk, remuneration and principal adverse impact	Disclosure of Taxonomy activities on corporate level	(Expected) Disclosure of climate risks	Ensure diligent and transparent provision of services	Challenges and opportunities from sustainability developments and engagement activities
Risk Management	Integration of sustainability risks throughout the organization, ICS, investment management	Integration of sustainability risks in the investment decision and investment advice	Indirect Impact (design of a Taxonomy framework that could be used for RM purposes)	Climate risks as material financial risks	–	Integrate sustainability and opportunities into their existing risk management process

Product & Service Disclosure I/II: Disclosure Regulation

The new Sustainable Finance Disclosure Regulation (SFDR) introduces various **disclosure-related requirements** for financial market participants and financial advisors at **entity, service** and **product level.**

A wide range of financial institutions and products are in scope of the new regime

Corporate-level disclosure

Sustainability risk
Transparency on the integration of sustainability risk in investment process/investment and insurance advice

Remuneration
Transparency of remuneration policies in relation to the integration of sustainability risks

Principal adverse impact
Transparency of adverse sustainability impacts at entity level

Product disclosure

Pre-contractual disclosure
- Integration of sustainability risks
- Principal adverse impacts
- Additional disclosures for ESG products

Website
Further information supplementing ESG disclosures for ESG products

Periodic reports
- Reporting on principal adverse impacts indicators
- Additional disclosures for ESG products

Product & Service Disclosure II/II: 'EU Taxonomy'

What?

The EU Taxonomy is a robust and science-based tool to help investors, companies, issuers and project promoters navigate the transition to a low-carbon, resilient and resource-efficient economy. For this purpose, it provides clarity on what is an environmentally sustainable activity and under which circumstances.

Why?

A taxonomy in order to reduce fragmentation resulting from market-based initiatives and national practices as well as the risk of "greenwashing"

How?

The Taxonomy sets performance thresholds (referred to as 'technical screening criteria') for economic activities which

make a ***substantial contribution*** to one of six environmental objectives **+** ***do no significant harm*** (DNSH) to the other five, where relevant **+** meet ***minimum safeguards****

Environmental objectives

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

Social objectives

Proposals expected in 2021

Governance objectives

To be determined

* The OECD Guidelines on Multinational Enterprises (MNEs) and the UN Guiding Principles on Business and Human Rights, with specific reference to the ILO Core Labour Conventions

Regulatory developments in Switzerland

Switzerland is observing international developments and increasingly becoming active

News financial sector

1	**CO2 Act**	The **revised** Swiss CO2 Act requires the **financial sector** to drift capital flows to sustainable investment – FINMA and SNB required to review the micro- and macro-prudential framework on **climate-related risks**
2	**FINMA**	**Large banks** and **insurance companies** to be obliged to **report climate risks** in a transparent and consistent way based on TCFD recommendations and amendment in CISO with ESG aspects
3	**SBA**	The SBA published guidelines for the integration of ESG considerations into the **advisory process** for private clients and a **position paper** on Sustainable Finance
4	**SFAMA & SSF**	SFAMA and SSF published recommendations for the Swiss asset management industry on how to actively use **sustainability criteria in the investment process**

News

In June 2020, the **Federal Council adopted a report** on sustainability in the financial sector.

In December 2020, the Federal Council adopted **concrete measures** to make the Swiss financial centre sustainable:

- Authorities are to prepare the **binding implementation** of the TCFD recommendations by Swiss companies in all sectors of the economy.
- SIF has until autumn 2021 to propose to the Federal Council any necessary amendments to **financial market legislation** to prevent so-called **greenwashing**.
- Financial market players recommended to publish methods and strategies for taking account of **climate and environmental risks** when managing their clients' assets
- Step up Switzerland's involvement focusing on the **disclosure of environmental information** and the **internalisation of environmental costs**

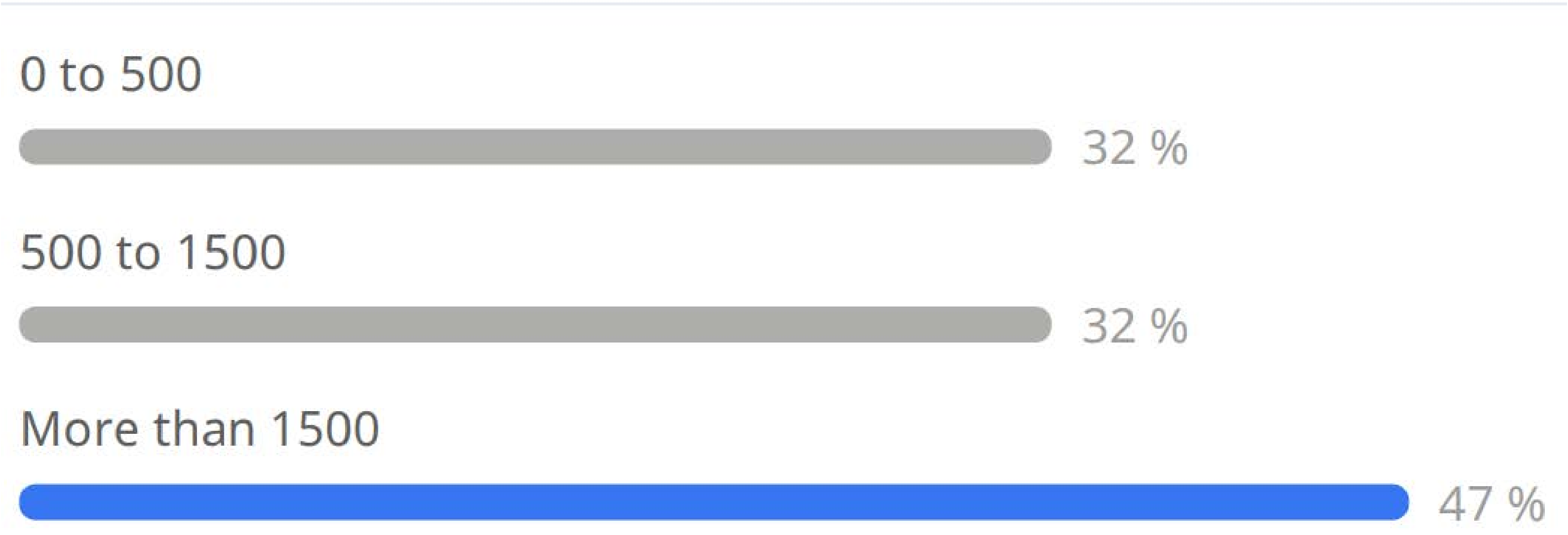
In January 2021, Switzerland officially became a **supporter of the TCFD**.

…green regulations driving the path of the value chain

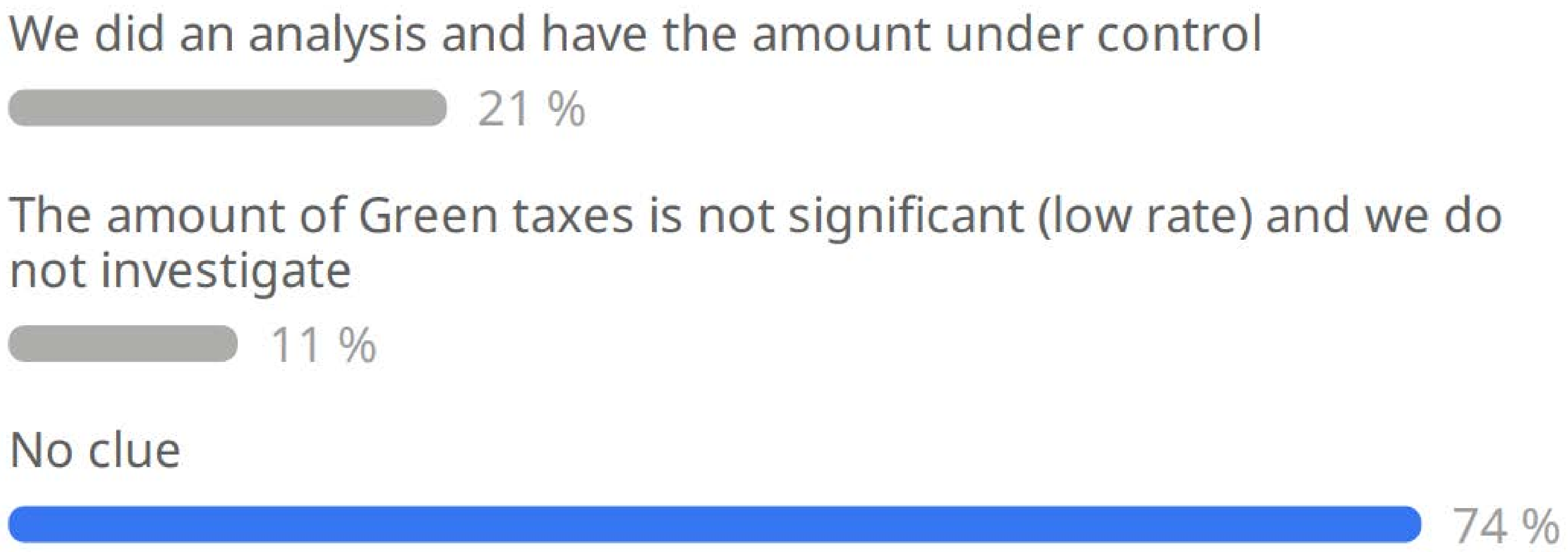
	R&D	Procurement	Manufacturing	Warehousing and transportation	Distribution	Customer services
IT / ESG data traceability	Definition of ESG framework for R&D incl. related KPIs	Disclosure of the ESG-selection criteria and extended producer's responsibility	ESG criteria have to be considered in every step of the production process	ESG and CO2 footprint monitoring	ESG data to be included into marketing and sales strategies	Labelling of ESG services and circular economy tracking
CO2 footprint	Design CO2 neutral products and services	Define CO2 framework and KPIs for suppliers	Reduce CO2 emissions by alternative energy sources	Optimise stock, routes and space for both forward and reverse logistics		
Environment	Design new environmental-friendly products and services	Define criteria for supplier selection	Adopt environmental-friendly processes / Social responsibilities / Human rights	Review transportation routes, define criteria for suppliers	If necessary, conducting due diligence on product level	Communicate green attributes, e.g., ecolabelling and zero waste certification
Circular economy	Develop new technologies using 4R strategy (Reduce, Reuse, Recycle and Renew)	Selection of suppliers to enable circular economy	Adopt eco-design and zero waste production processes.		Adopt green marketing strategy, market segmentation and product system services	Communicate green attributes, e.g., ecolabelling and zero waste certification
Tax/ Incentives	Environmental taxes such as: water, packaging, carbon, plastic, transfer pricing (eg carbon certificate) , etc. Patent box and R&D incentive schemes, ESG special initiatives dedicated fund such as: Horizon Europe, France Relance, Swiss Climate fund					
Employees	Upskilling for all employees on ESG related topics with individual trainings for each step of the value chain (D&I and equal salary certification)					
Contracts	Contracts with R&D partners and suppliers	Contracts and framework for selection of suppliers	Contracts with 3rd party manufacturers	Contracts with 3rd party logistics providers	Contracts with 3rd party distributors	

No impact   Low impact   Medium impact   High impact

How many different environmental taxes exist across the world?



What is the overall amount of green taxes your company is paying?



What is Green or Environmental Taxation ?

A Way of Encouraging a Shift toward more eco-friendly choices

Green taxes, levies, fees, charges and green funds and tax incentives are mushronning as part of the Carrot & Stick approach of the governments

- Serve as behavioural incentive
- No harmonization
- Economic operators faced with a tax that internalises the costs of the environmental damage have the choice of either paying it or avoiding it by reducing the harmful environmental impact of their activities .
- Generally linked to production or consumption and consequently indirect taxes

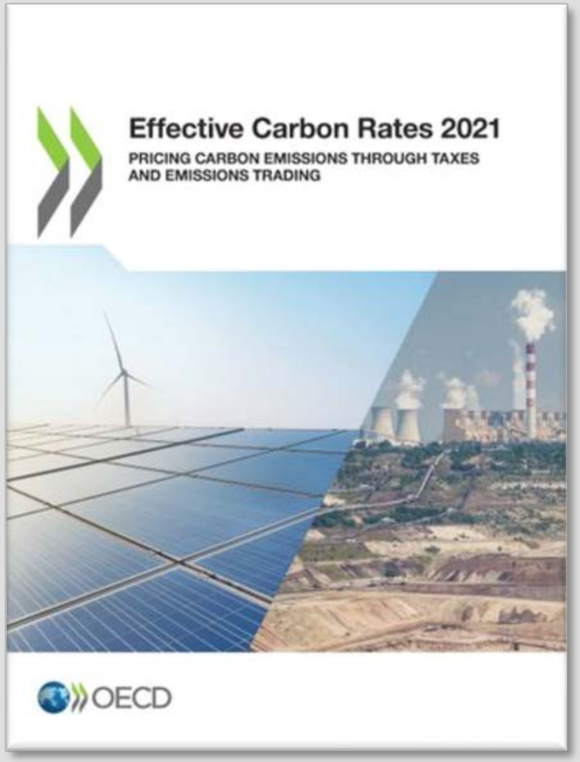
Covers a wide variety of activities and **can be classified under the following 6 categories**

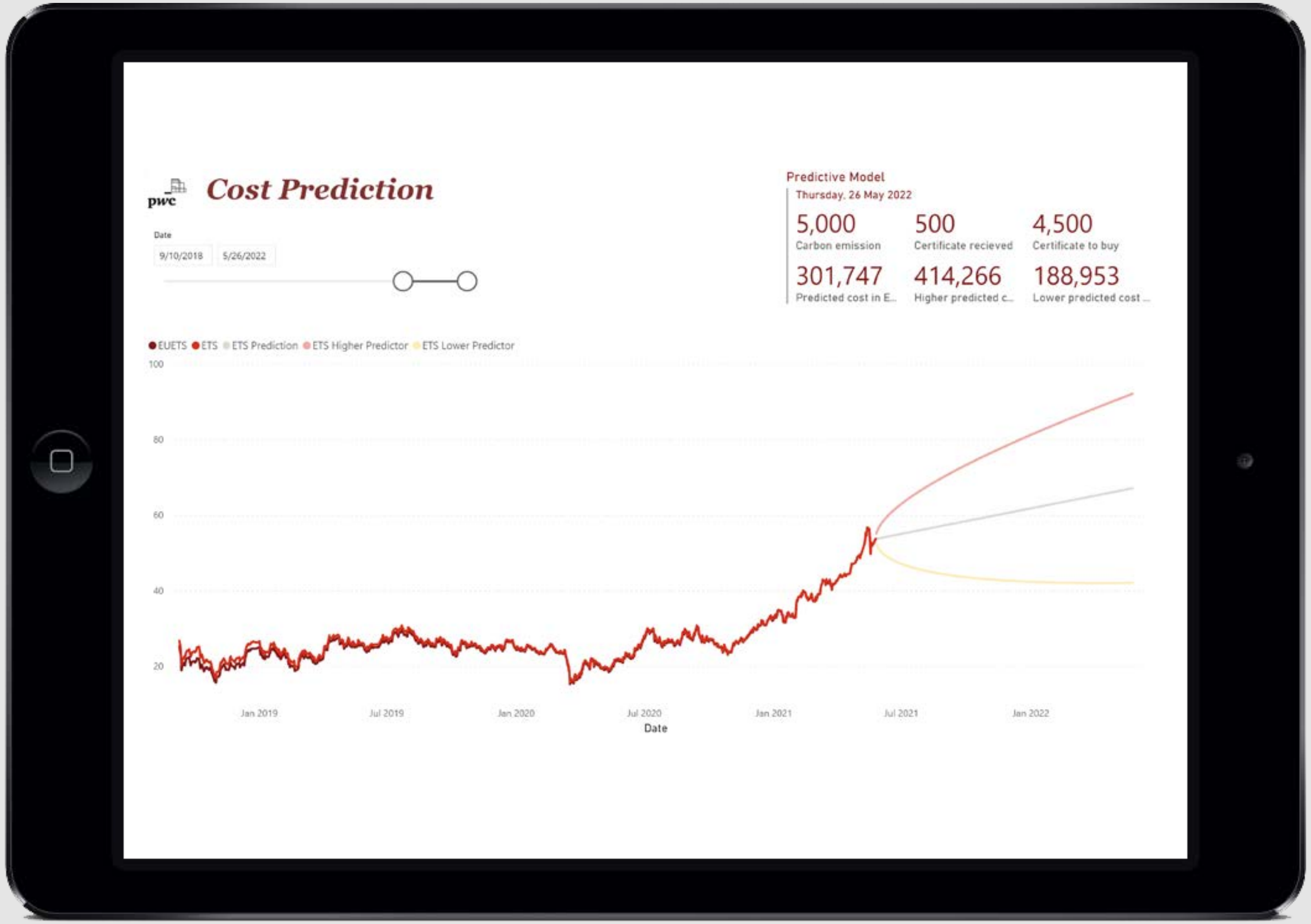
Air	Nature	Chemicals
Waste	Climate	Water

PwC ESG Tax Navigator

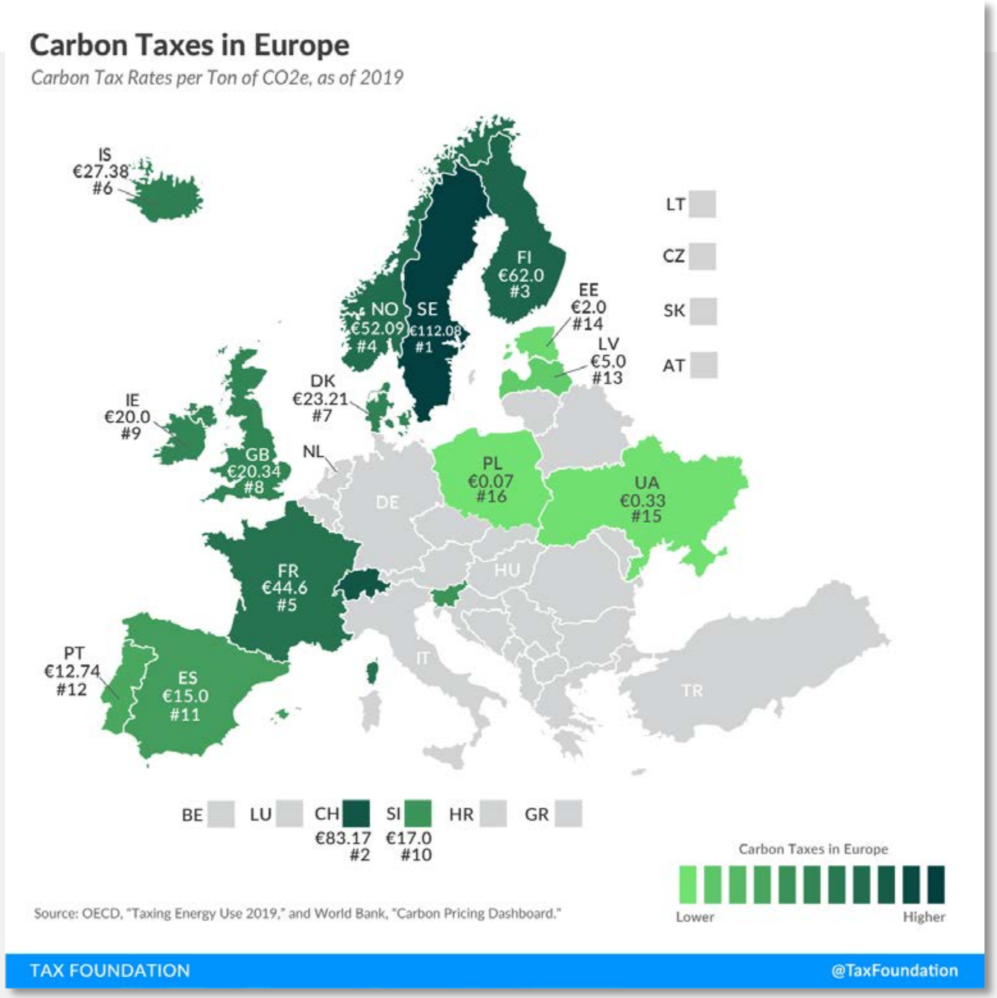
Pricing carbon is one of the most effective and lowest-cost ways of inducing cuts in carbon emissions

OECD report on Carbon pricing published on May 5, 2021





The Swiss people will vote on the total revision of the CO2 Act on 13 June 2021



The new rules include measures targeting road vehicles, air traffic, industrial emissions and the renovation of buildings.

General Measures

- a levy of between CHF30 and CHF120 ($32-$129) on airline tickets, for flights taking off from Switzerland;
- an obligation for car importers to sell more energy-efficient vehicles;
- an increase of the surcharge on diesel and petrol from CHF0.05 to CHF0.12 per litre, to be levied by fuel importers;
- CO2 emissions limits for buildings;
- an increase of the tax on CO2 levied on diesel from CHF120 to CHF210 per tonne.

Carbon Tax will impact directly or indirectly all businesses with exceptions...

Industry Measures

- All Swiss companies can now apply for exemption from the CO_2 tax provided they invest in climate protection measures in their own facilities
- Companies with very high CO_2 emissions will continue to be exempt from the CO_2 tax but are subject to the Emission Trading System (ETS) coupled with the European Union's one
- Companies can elect to be subject to the ETS
- Under the law, 75% of Swiss emissions reductions should happen within the country's borders; the other 25% can be achieved through measures abroad

ETS system remains an option and business should pay attention to incentives

ETS System

The ETS is a quantity control instrument applying the “cap-and-trade” principle

- It specifies a maximum amount of newly available emission allowances in the system (“cap”) that is reduced each year
- Some of the emission allowances are allocated free of charge, and some are auctioned off
- Each year, participants in the ETS must cover their emissions with emission allowances
- These emission allowances can be traded freely and can be used to cover own emissions or sold to other ETS participants

Creation of a Climate Fund

- To finance the renovation of buildings as well as investments in infrastructure
- To promote climate-friendly investments
- To supports energy renovation and the installation of CO_2-free heating systems on buildings

Actions to consider

Perform an assessment of the potential future tax exposure

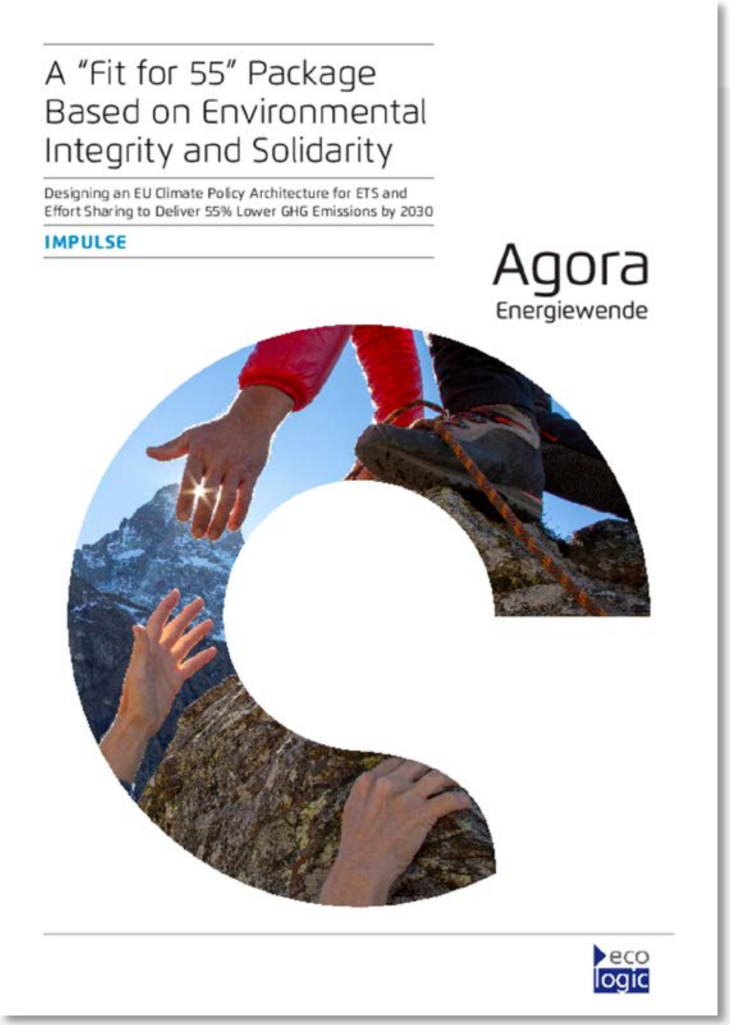
Identify the sustainability project that could allow a refund of the Carbon tax

Balance the opportunity to elect for the ETS

Determine the eligibility of these project to the climate fund

Assess the eligibility of such project to R&D super deduction or even Patent Box

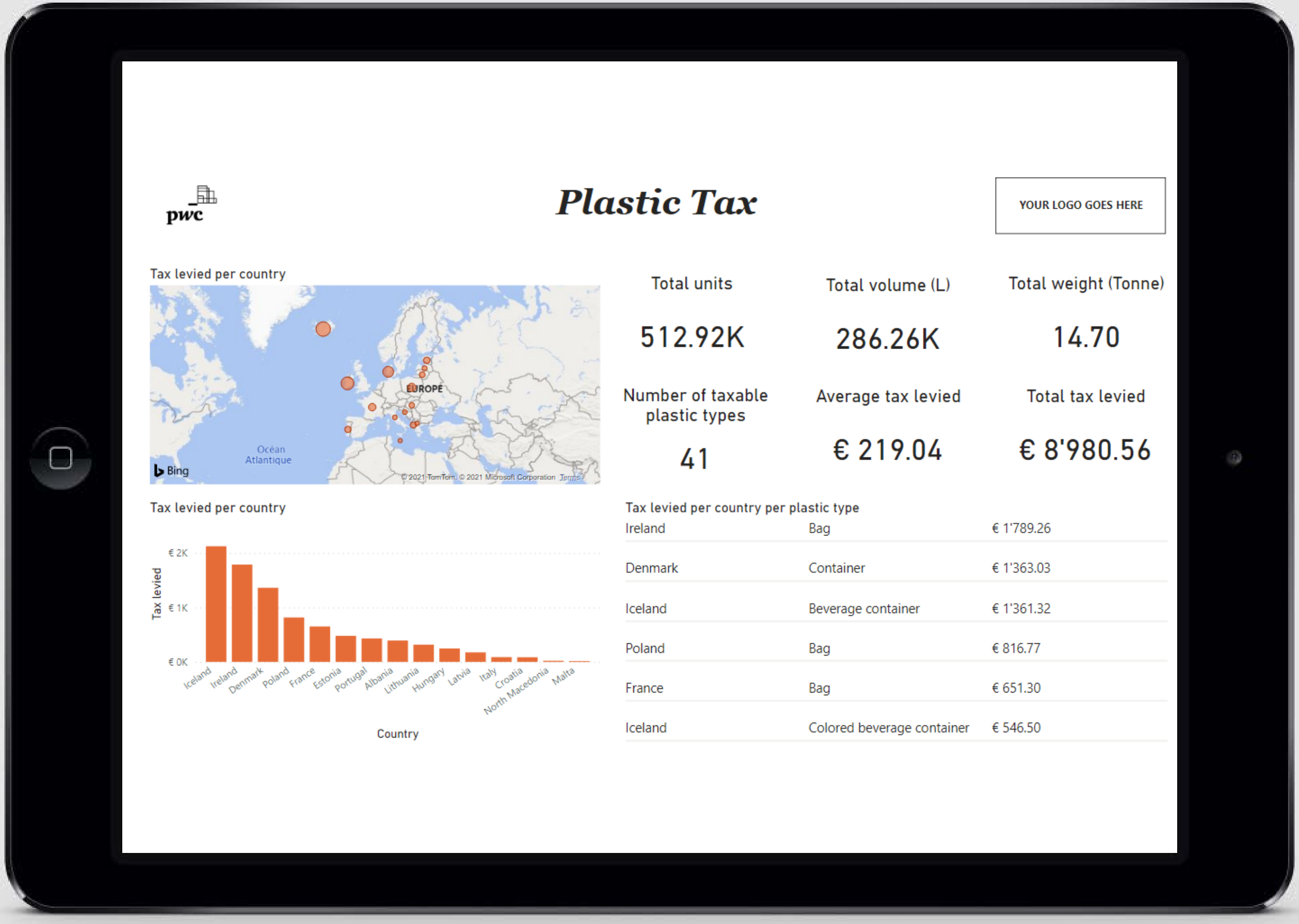
Carbon Tax: The EU fit for 55 package



Encompasses a suite of legislative initiatives across various sectors, including energy, transport and buildings, most of which are expected to be published on 14 July (though this date may yet change).

- Revision of the EU Emissions Trading System (ETS)
- Introduction of a Carbon Border Adjustment Mechanism (CBAM)
- Revision of the Energy Tax Directive (ETD)
- Revision of the Renewable Energy Directive (RED II)
- Revision of the Energy Efficiency Directive (EED)
- Introduction of legislation to reduce methane emissions
- Revision of the energy performance of Buildings Directive (EPBD)
- Revision of the Third Energy Package for Gas (decarbonising gas markets)
- Revision of the Effort Sharing Regulation (ESR)
- Revision of the Regulation on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry (LULUCF)
- Revision of the Directive on deployment of alternative fuels infrastructure
- Revision of the Regulation setting CO2 emission performance standards for new passenger cars and for new light commercial vehicles

PwC ESG Tax Navigator – Plastic/packaging tax



Plastic/packaging tax

The EU announced a **new plastic packaging levy** to be introduced with effect from **1 January 2021** it will apply at Member State level at a rate of EUR 800/tonne of non-recycled plastic packaging waste, and will be remitted by Member States to the EU as an own resource.

Some territories already have planned proposals for plastic packaging taxes

Italy

The Proposed tax of EUR 450/tonne on virgin plastic used in manufacture/import of single use plastic items, introduction due January 2022.

Given that there is already concern within the sector about the impact of a cost of EUR 450/tonne, an increase to EUR 800/tonne is likely to either accelerate change or cause market pricing, with associated impact on consumer pricing, to shift significantly.

Spain

Proposed tax of EUR 450/tonne on non-reusable plastic cups and bottles from 1 July 2021(although we understand that this start date is likely to be delayed).

UK

The primary legislation for plastic packaging tax has been introduced in the Finance Bill 2021.

Planned tax of £200/tonne on finished, filled or unfilled, plastic packaging components with less than 30% recycled content manufactured or imported into the UK.

Scope: Actual products used by an end consumer for storage, preservation or transport of goods

Plastic/Packaging tax management

What we observe

- Require significant input/data reporting in short time frames from operations teams (sourcing, composition of products, etc.)
- Development of robust processes, systems and controls for compliance and management of tax risk
- Significant scope for error if management of the tax is left solely to operations teams
- Tax function should work closely alongside the operations teams who hold and control the data from the outset to ensure that robust tax decision-making and appropriate processes and controls are implemented, responsible staff are appropriately trained and remain up to date, and that there is a strong partnership between the teams that allows issues and risks to be escalated or consulted on with ease

ESG impact on tax reporting and the tax function

Part 1

What is Public Tax Transparency?

Part 2

Why is Public Tax Transparency a relevant topic now?

Part 3

How are companies responding?

Part
1

What is Public Tax Transparency?

> *Public Tax Transparency can be defined as presenting information on the economic contribution a taxpayer makes by paying and collecting taxes and putting this information in the right context to actively build trust and reduce the risk of potential misinterpretations.*

What is Public Tax Transparency?

Coca-Cola HBC aims to:

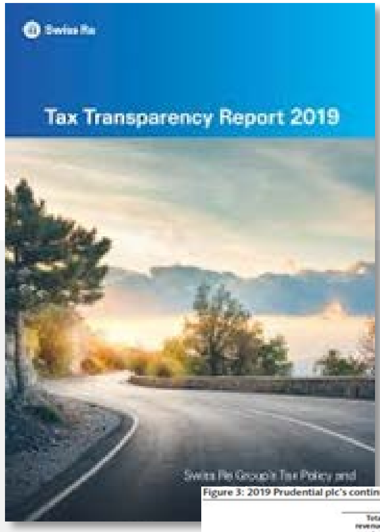
- observe applicable laws, rules and regulations in meeting our tax compliance and reporting responsibilities everywhere we operate.
- comply with the OECD transfer pricing guidelines and ensure that the arm's length principle is always observed in transactions between Group companies.
- ensure that tax strategy is aligned with business and commercial strategy and tax planning opportunities are evaluated within clear risk parameters.
- pay taxes on our activities in the country where the value is created and ensure that non-cooperative countries for tax purposes or so-called 'tax havens' are not used by our Group for tax avoidance purposes.
- work positively, pro-actively and transparently with tax authorities and pursue a constructive dialogue that is based on respect and trust, to minimize the extent of disputes, to achieve early agreement on disputed issues when they arise, and achieve certainty, wherever possible.
- apply diligent professional care and judgement to ensure decisions are well-considered and documented.
- ensure that due consideration is given to the Group's corporate and social responsibilities and the value it places on earning community trust.

Taxes on	Taxes borne (billion CHF)	Taxes collected (billion CHF)
Profit	2.4	2.9
Properties	0.2	0
Employment	1.7	2.8
Transactions	0.8	2
Environment	0.1	0.1
Total	**5.2**	**7.8**

Deferred tax explained

A deferred tax position reflects the future tax effects of NN Group's current business. Income and expenses that are reported for IFRS purposes in one year might be taxable or tax deductible in the tax return of another year. Whereas for example IFRS uses a market value approach for reporting most financial assets, the tax laws of the countries in which NN Group operates generally use a historical cost price valuation method. If these differences are only related to timing (i.e. only the year in which they are reported in IFRS differs from the year in which they are included in the tax return), the expected future tax impact is reported as deferred tax. Deferred tax is calculated based on the difference between the IFRS carrying value and the tax base.

Example: The value of a financial asset, purchased on 1 January at 1,000 increases in value on 31 December to 2,000. At year end this financial asset is valued for IFRS purposes at 2,000 whilst the tax value remains at 1,000. At the IFRS balance sheet per year end an unrealized capital gain of 750 and a deferred tax liability, at the expected future tax rate of 25%, of 250 are recorded.



TAXPAYER, n. One who ...
tax.
TAX TRANSPARENCY, n. 1. Full public disclosure of taxes paid, profits, losses, employees in each jurisdiction. 2. Automatic information exchange between tax autho... 3. Real beneficial owners, directors, tr... address and company constitution on record.
[From the native name.] A...

Why the effective tax rate differs from the corporate tax rate?

The effective tax rate differs from the corporate tax rate any time an IFRS income/expense are either non-taxable or non-deductible according to the local tax regulation (namely a permanent difference).

All jurisdictions have their own rules triggering specific permanent differences.

In an insurance company, financial transactions represent a significant part of the results and therefore, the main permanent adjustments come from:

- ✓ dividends that are partially or totally non-taxable
- ✓ non-taxable capital gains/non-deductible capital losses

Figure 3: 2019 Prudential plc's continuing operations total tax contribution by jurisdiction

	2019 ($m – other than employee numbers)							
	Total revenue net of reinsurance[1]	Profit (loss) before tax[1]	Total current tax charge[1]	Corporation taxes paid[4]	Other taxes borne[5]	Taxes collected[6]	Total taxes remitted	Average employee numbers
United States	55,527	(732)[7]	305	395	53	872	1,320	4,018
Indonesia	2,300	563	113	115	46	30	191	1,959
United Kingdom	14	(838)[8]	(96)	–[9]	37	50	87	408
Singapore	8,270	1,070	109	65	6	9	80	1,722
Malaysia	2,357	345	39	38	11	22	71	2,091
Hong Kong	19,432	900	65	–[10]	56	–	56	1,839
Philippines	778	131	9	7	19	17	43	758
Vietnam	1,707	210	25	23	4	14	41	3,861
Thailand	1,424	122	7	10	6	16	32	901
Taiwan	2,003	241	1	2	18	2	22	795
Japan	55	6	2	2	5	–	7	45
Rest of the world	288	14	7	5	6	11	22	607
Total subsidiaries	**94,155**	**2,032**	**586**	**662**	**267**	**1,043**	**1,972**	**19,004**
Joint ventures and associates[11]	–	398	–	50	34	107	191	–
Loss on disposal of businesses and corporate transactions	–	(142)	(25)	5	–	–	5	–
Intra-group revenue[12]	(419)	–	–	–	–	–	–	–
Group total 2019	**93,736**	**2,287**	**561**	**717**	**301**	**1,150**	**2,168**	**19,004**
Group total 2018	35,845	3,557	365	476	256	1,098	1,829	21,759

'Low or Nil' Tax Rate Jurisdictions

At Swiss Re we do not use 'Low or Nil' tax rate[1] jurisdictions to avoid tax. In 2020, the Group Executive Committee (GEC) approved an addendum to the tax policy on the use of 'Low or Nil' tax rate jurisdictions. This codifies our existing position that prohibits the use of such jurisdictions for tax avoidance purposes.

Our presence in countries that levy 'Low or Nil' corporate income taxes is negligible. In 2019, less than 0.1% of Total Group Revenue was generated in such locations. This represents a reduction from 2018 (at 0.2%).

Additionally, we do not enter into any transactions or agreements with customers, clients or other external business counterparts where the primary purpose of the transaction appears in our view to be the avoidance of tax or tax disclosure requirements.

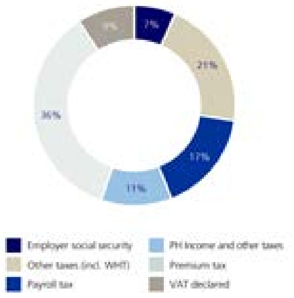
[1] Low or nil tax jurisdictions are defined following reference to international standards (e.g. EU or OECD lists) plus other jurisdictions Swiss Re considers to have such regimes.

Taxes borne by shareholders

Total 2019: USD2.2bn

Taxes collected

Total 2019: USD6.2bn



Part 1

What is Public Tax Transparency?

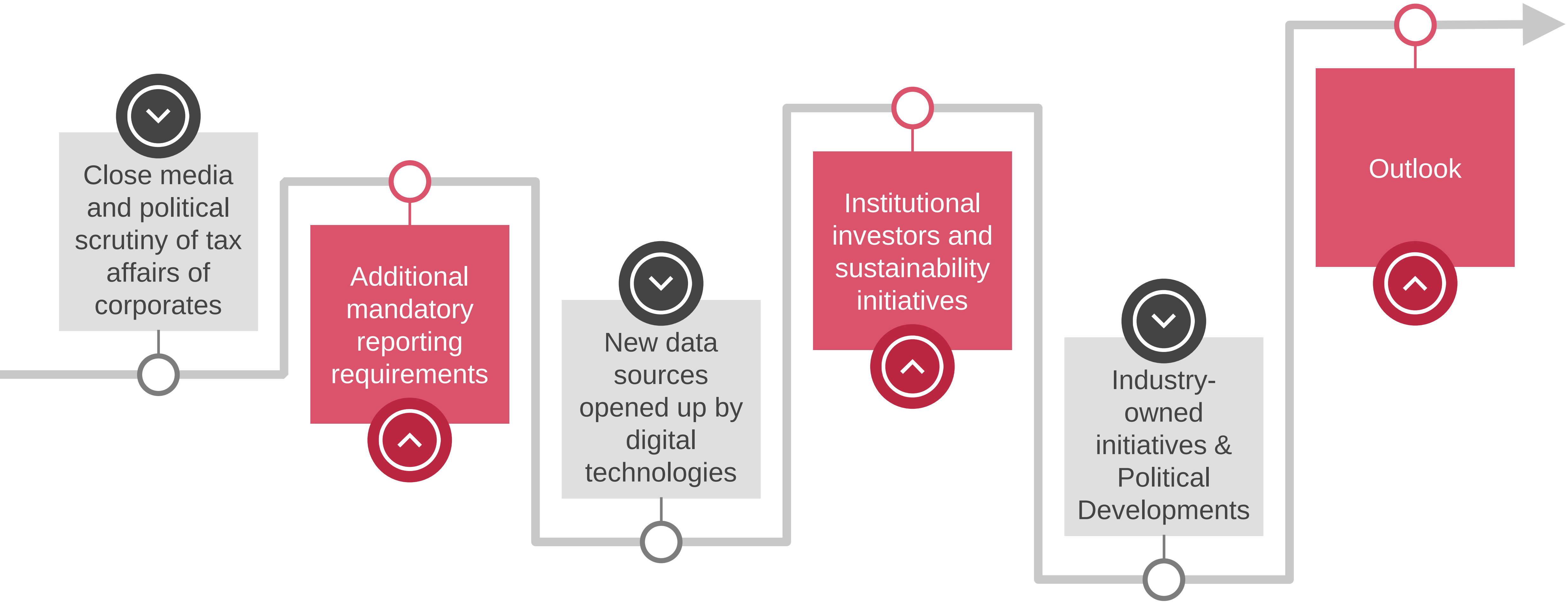
Part 2

Why is Public Tax Transparency a relevant topic now?

Part 3

How are companies responding?

Tax Transparency journey towards the ESG agenda



Public Tax Transparency as a contributor to the ESG strategy

"

*To prosper over time, every company must not only deliver financial performance, but also **show how it makes a positive contribution to society**.*

*Companies must benefit **all** of their stakeholders, including shareholders, employees, customers, and the communities in which they operate*

Larry Fink, CEO of BlackRock
Annual Letter to CEOs – 2018

Public Tax Transparency to ESG metrics

E

Environmental

- Environmental taxes e.g. carbon taxes, plastic taxes, etc.
- Green subsidies and incentives

S

Social

- Total Tax and other Economic Contributions
- Country-by-Country reporting

G

Governance

- Aligning ESG policy with Tax behavior
- Tax governance framework incl. tax strategy, tax risk and control framework

Public Tax Transparency gains momentum

NBIM says better company tax reporting standards are needed

EBTF European Business Tax Forum

Public country-by-country reporting by big multinationals: EU co-legislators reach political agreement

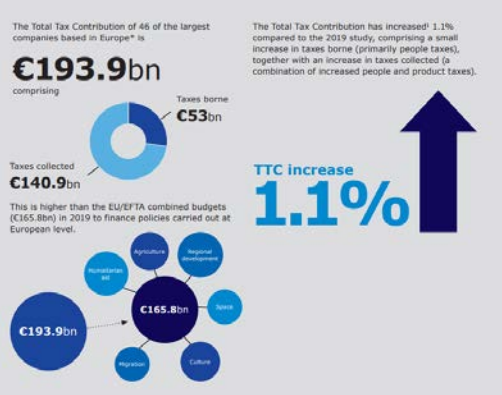
consilium.europa.eu • 2 min read

Investors and shareholder groups hail NBIM divestment over tax policies

This is the first time the world's largest sovereign fund has pulled investments over the matter

Dutch fund ABP, UK investor Epworth Investment Management and four shareholder membership groups have come out in support of a move by Norges Bank Investment Management (NBIM) - manager of Norway's $1trn sovereign wealth fund - to dump seven companies as a result of their tax policies.

The divestment was announced earlier this week by NBIM CEO Nicolai Tangen, who said in an interview with Reuters that the decision to exit the companies was due to "aggressive tax planning and cases where companies do not give information of where, and how, they pay tax". He declined to reveal which companies were affected by the exercise.



1

116TH CONGRESS 2D SESSION

H. R. 5933

To amend the Securities Act of 1934 to require country-by-country reporting.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 21, 2020

Mrs. AXNE (for herself, Mr. DOGGETT, Ms. WEXTON, and Mr. LYNCH) introduced the following bill; which was referred to the Committee on Finan-

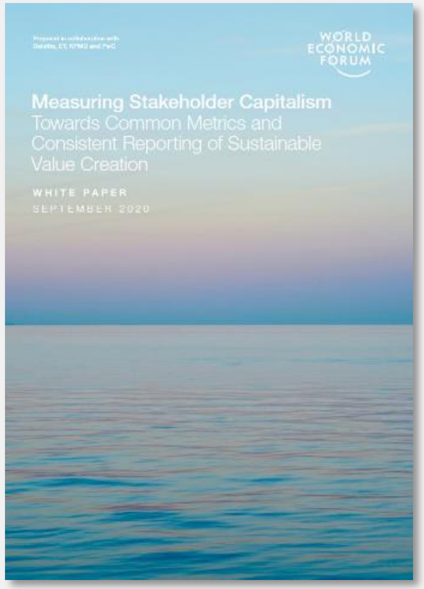
BILL

Act of 1934 to require country-

ry reporting.

Senate and House of Representa-

2 tives of the United States of America in Cong



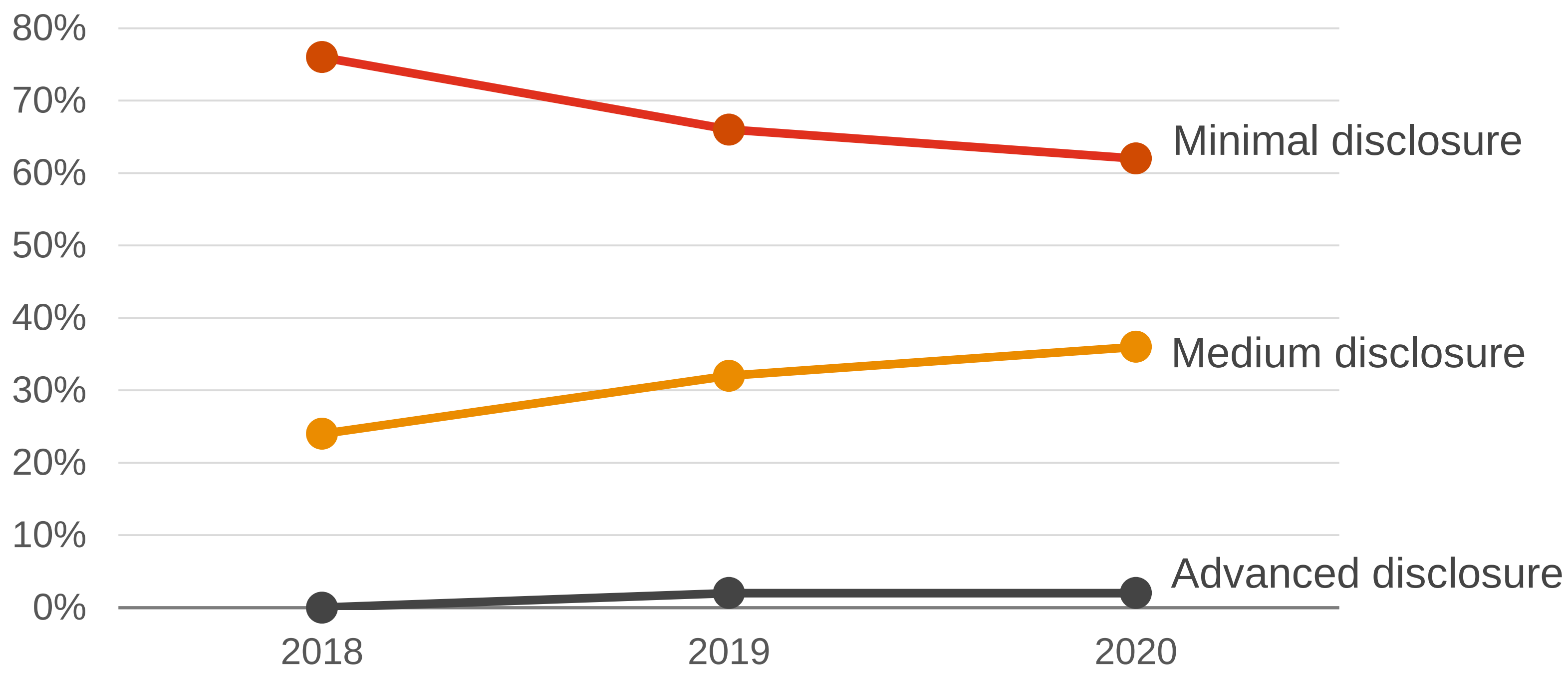
Dow Jones Sustainability Indexes

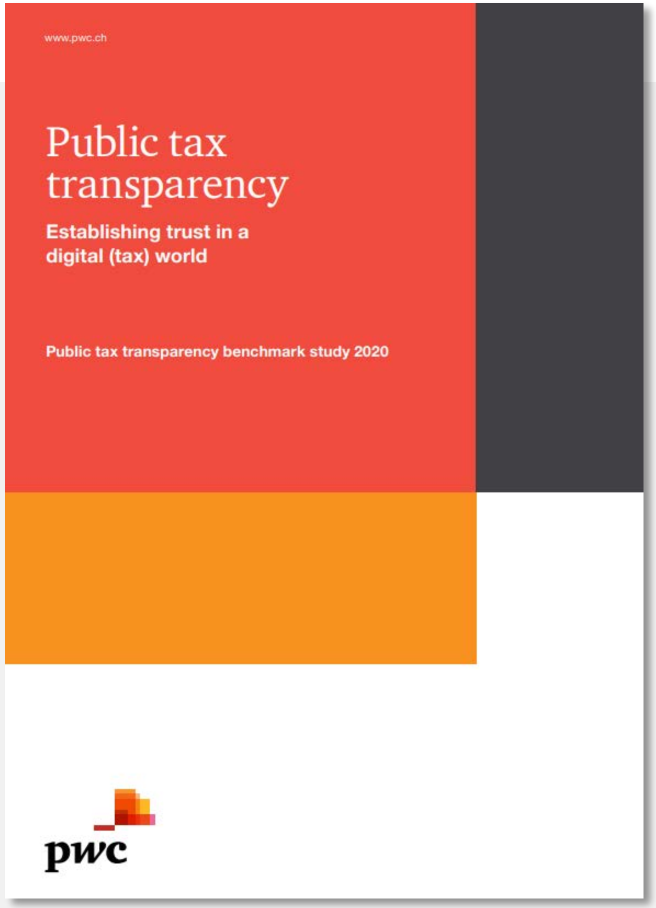
GRI 207: TAX 2019

The Standard contains three management approach disclosures and one topic specific disclosure on country-by-country reporting. The combination of management approach disclosures and country-by-country reporting gives insight into an organization's tax practices in different jurisdictions.

Public Tax Transparency Benchmark Study in Switzerland for 2018-2020

Overall Tax Transparency Development 2018 – 2020





https://www.pwc.ch/en/publications/2021/Public-tax-transparency_EN_Paper-4-V2020-web.pdf

Part 1

What is Public Tax Transparency?

Part 2

Why is Public Tax Transparency a relevant topic now?

Part 3

How are companies responding?

How are companies responding?

Tax Transparency Strategy	Tax Transparency Report	Tax Transparency Report Review
• Develop a **Tax Transparency strategy** based on the current tax landscape • **Evaluate** the different Public Tax Transparency options and **align** the tax transparency strategy with **your broader ESG agenda**	• **Define format and content** of the Tax Transparency Report • **Engage with internal stakeholders** to ensure alignment of Tax Transparency Report with other ESG reports	• **Review and sense-check** of the qualitative and quantitative data covered in the Tax Transparency Report
• Provide input into senior management deliverables and comment on best practice approaches for **engaging with senior internal stakeholders** • Compare **value and risk** of increased tax disclosures	• Conclude on the **relevant qualitative and quantitative data** to be included in the Tax Transparency Report to avoid any **misinterpretation risks** as well as **any inappropriate disclosures** that may deteriorate the competitiveness of your company	• Provide **assurance over the quality** of data collection and consolidation processes (i.e. verification of the processes and the data collected) • **Validate assumptions and identify limitations** in the data and the data collection process
• Compare your tax transparency strategy to **sustainability standards or other initiatives**, such as GRI: 207 Tax, WEF IBC’s white paper, DJSI requirements, etc. • Conduct a **benchmark analysis** of peers and broader market practice	• Set up data collection process and consolidate as well as harmonize **data for Total Tax Contribution numbers** • **Industrialize** the data collection process to achieve **operational efficiencies** through automation and taking account of recent developments	• Potentially **seek independent external assurance** of non-financial tax disclosures included in a stand-alone tax transparency report

Our tailored benchmark approach – based on specific content elements

Results: Industry Peers

Elements	XYZ	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5	Peer 6	Peer 7	Peer 8	Peer 9	Peer 10
Report from:	20xx	20xx	20xx	20xx	20xx	20xx	20xx	20xx	20xx	20xx	20xx
Pages	●●	●●●	●●●	●●●	●	●	●●	●●●	●●●	●	●●
Management Letter / Introduction	●●●	●●●	●●●	●			●●	●●●	●●●	●	●●
Third Party Reference			●					●●			
Tax Strategy & Governance	●●	●●●	●●●	●●●	●●	●	●●	●●●	●●●	●●●	●●●
CbCR	●●	●●●		●●●	●●		●	●●●	●●	●	
TTC: Tax type split	●●●	●●●	●●●	●●	●●			●●●	●		●●●
TTC: Country / region split	●●●	●●●		●●●	●●			●●●	●		●●●
Overall Rating	16 /21	18 /21	13 /21	17 /21	9 /21	2 /21	7 /21	20 /21	13 /21	6 /21	13 /21

Results: Country-by-Country Reporting Deep Dive

Elements	XYZ	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5	Peer 6	Peer 7	Peer 8	Peer 9	Peer 10
Income tax accrued (current year) by country											
Income tax paid (cash basis) by country											
Revenues by country											
Profit (loss) before tax by country											
FTEs by country											
Reconciliation of ETR to STR by country											
Overall Rating	●●	●●●		●●●	●●		●	●●●	●●	●	

Benchmark Findings in Detail: Peer 6

Elements	Score	Comments
Pages	●●	• Tax Transparency Report 20xx (5 pages)
Management Letter / Introduction	●●	• Providing an overview on the purpose of the tax transparency disclosure but no Management Letter • Introduction is longer than 3 sentences
Third Party Reference		None
Tax Strategy & Governance	●●	Covers the following: 1) Tax planning 3) Attitude towards authorities 4) Management of the tax function 5) Outline responsibilities for tax
CbCR	●	See Country-by-Country Reporting Deep Dive (p. 7)
TTC: Tax type split		No TTC disclosure
TTC: Country / region split		No TTC disclosure

How are companies responding?

Tax Transparency Strategy	Tax Transparency Report	Tax Transparency Report Review
• Develop a **Tax Transparency strategy** based on the current tax landscape • **Evaluate** the different Public Tax Transparency options and **align** the tax transparency strategy with **your broader ESG agenda**	• **Define format and content** of the Tax Transparency Report • **Engage with internal stakeholders** to ensure alignment of Tax Transparency Report with other ESG reports	• **Review and sense-check** of the qualitative and quantitative data covered in the Tax Transparency Report
• Provide input into senior management deliverables and comment on best practice approaches for **engaging with senior internal stakeholders** • Compare **value and risk** of increased tax disclosures	• Conclude on the **relevant qualitative and quantitative data** to be included in the Tax Transparency Report to avoid any **misinterpretation risks** as well as **any inappropriate disclosures** that may deteriorate the competitiveness of your company	• Provide **assurance over the quality** of data collection and consolidation processes (i.e. verification of the processes and the data collected) • **Validate assumptions and identify limitations** in the data and the data collection process
• Compare your tax transparency strategy to **sustainability standards or other initiatives**, such as GRI: 207 Tax, WEF IBC's white paper, DJSI requirements, etc. • Conduct a **benchmark analysis** of peers and broader market practice	• Set up data collection process and consolidate as well as harmonize **data for Total Tax Contribution numbers** • **Industrialize** the data collection process to achieve **operational efficiencies** through automation and taking account of recent developments	• Potentially **seek independent external assurance** of non-financial tax disclosures included in a stand-alone tax transparency report

Does your company publish a tax transparency/ strategy report other than what is mandatory?

slido

1. Yes, we have a publicly available group-wide tax strategy covering only narrative elements

8 %

2. Yes, the (1) above plus Country-by-Country-Reporting (similar to BEPS Action 13)

17 %

3. Yes, the (1) above plus Total Tax Contribution (“TTC”) – split per tax types and/or geographies

0 %

4. Yes, we publish a fully-fledged Tax Transparency Report that includes all of the above

0 %

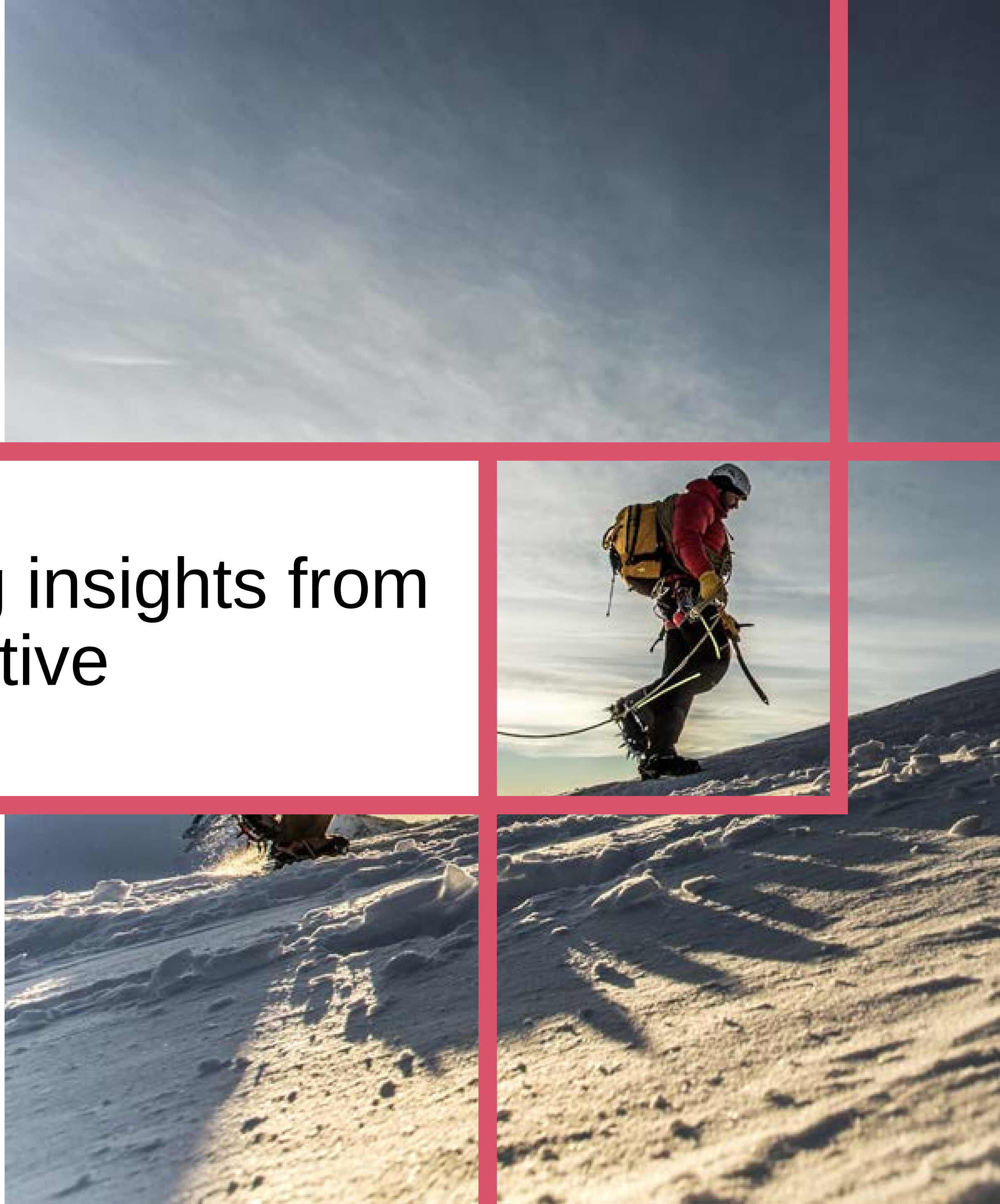
5. No, we publish only what is mandatory under the accounting standards/local requirements (e.g. UK tax strategy)

67 %

I don’t known

17 %

Panel discussion: ESG in banking insights from a corporate sustainability perspective



Panel discussion – ESG in banking insights form a corporate sustainability perspective

Christian Schiltz

Head of Corporate Responsibility

Bank Vontobel

chrisitan.schiltz@vontobel.com

Dr. Antonios Koumbarakis

Head of Sustainability & Strategic Regulatory

PwC Switzerland

antonios.koumbarakis@pwc.ch

Charalambos Antoniou

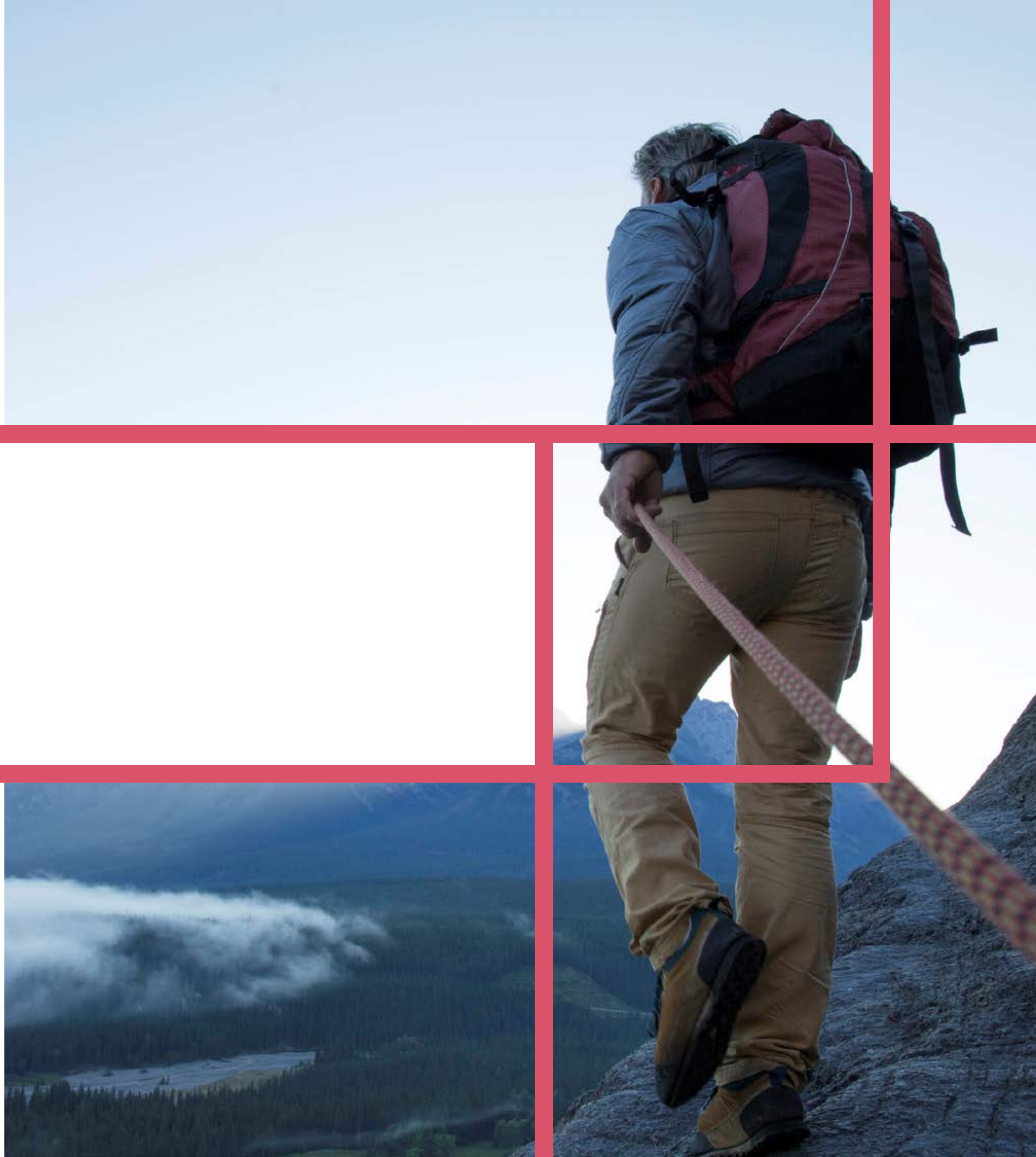
Swiss Tax Function Design Leader

PwC Switzerland

charalambos.antoniou@pwc.ch


A virtual thank you wine...
BLACK STALLION
ESTATE WINERY
Los Carneros
2018 PINOT NOIR

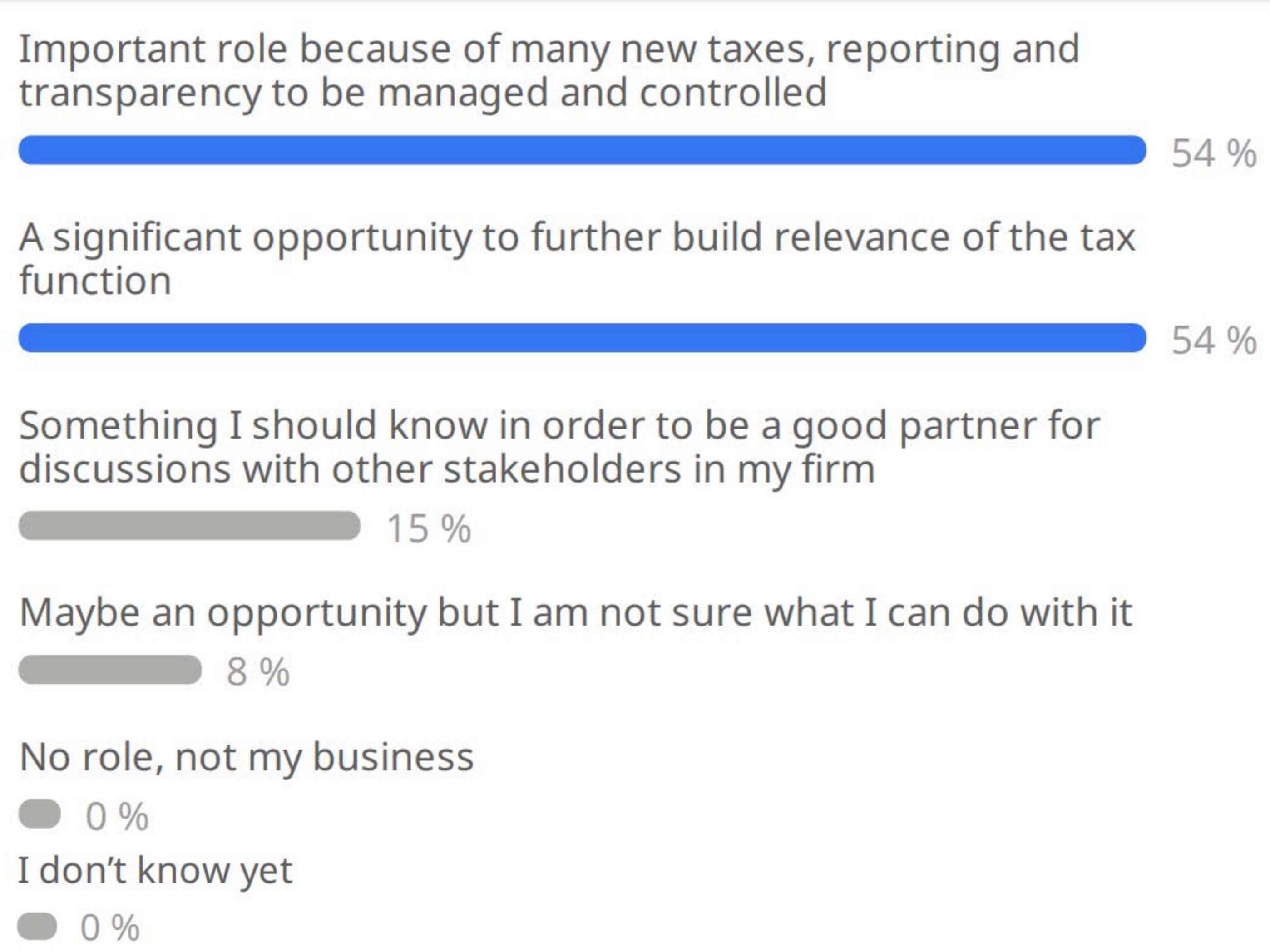
Closing remarks



What are your top-ranked ESG elements as a tax director?

What is the role of a tax director in the whole ESG debate?

slido



Why is ESG important for Tax Directors – Key takeaways

1. ESG is a global megatrend which is driven by policy makers, investors and the wider society
2. The necessary change of human behaviour will be driven (amongst others) by taxes, duties and incentives. Tax directors will be important stakeholders in their companies (even if certain taxes are actually handled in operations)
3. There will be a post Covid-19 shift from profit taxes to environmental taxes
4. Already relevant today are Carbon Tax, Plastic / Packaging Tax (+ a ton of other not harmonized indirect taxes), the ESG impact on the value chain and various incentives and subsidies
5. Steering the ESG behaviour through financing is already much developed and will impact all industries
6. Tax transparency and reporting gain momentum and are an integral element of the sustainability reporting

Your PwC contacts

Erik
Steiger

Leader of ESG and Tax Reporting & Strategy

PwC Switzerland

erik.steiger@pwc.ch

Christophe
Bourgoin

Leader Sustainability & Investor Reporting

PwC Switzerland

Christophe.d.bourgoin@pwc.ch

Dr. Antonios
Koumbarakis

Head of Sustainability & Strategic Regulatory

PwC Switzerland

antonios.koumbarakis@pwc.ch

Patricia
More

EMEA ESG CoE

PwC Switzerland

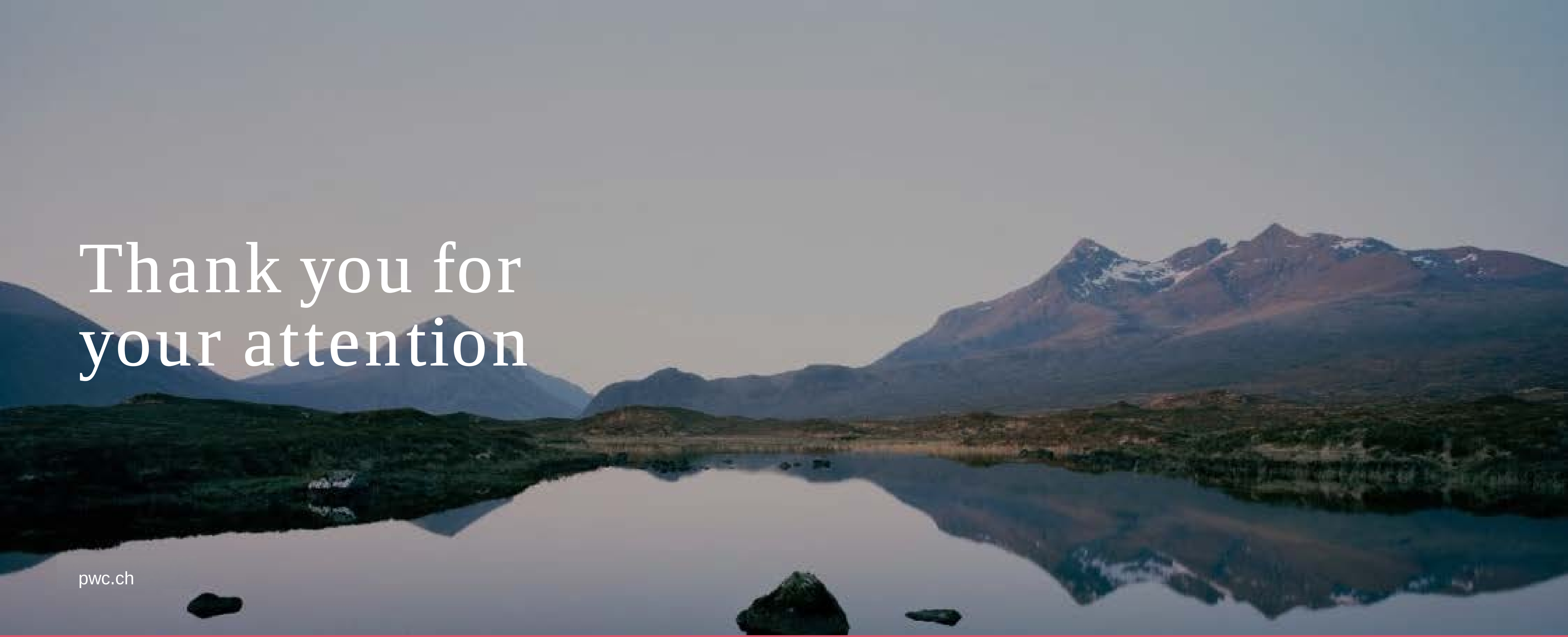
patricia.more@pwc.ch

Antoniou
Charalambos

Swiss Tax Function Design Leader

PwC Switzerland

charalambos.antoniou@pwc.ch



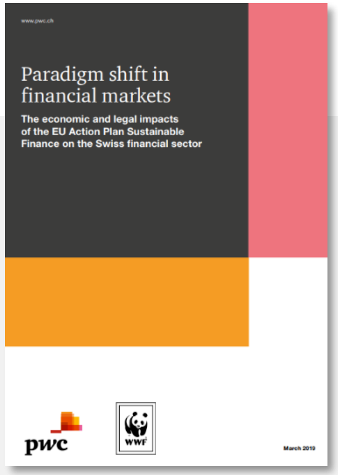
Thank you for your attention

pwc.ch

Appendix

ESG publications: from EUAP, biodiversity to circular economy

Upcoming SI Report with University of Zürich and Greenness of Central Banking



Paradigm shift in financial markets – The economic and legal impacts of the EU Action Plan Sustainable Finance on the Swiss financial sector

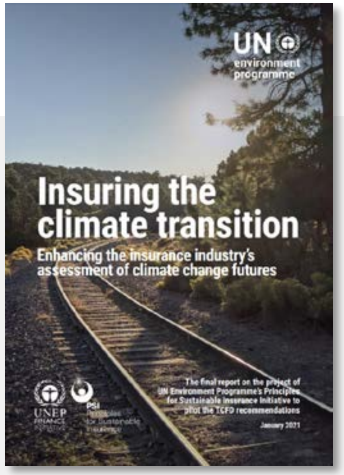
März 2019

Diese gemeinsame Studie von PwC Schweiz und WWF Schweiz zeigt auf, wie das EUAP den Schweizer Finanzmarkt grundlegend verändern wird und dem Finanzsektor gleichzeitig neue Geschäftsmöglichkeiten bietet.

Nature is too big to fail – Biodiversity: the next frontier in financial risk management

Januar 2020

Diese gemeinsame Studie von PwC Schweiz und WWF Schweiz, die am WEF 2020 in Davos vorgestellt wurde, macht deutlich: Die finanziellen Risiken, die mit dem Verlust der Biodiversität verbunden sind, werden zunehmend an Bedeutung gewinnen. Der Bericht schlägt eine Typologie für finanzielle Risiken im Zusammenhang mit der Biodiversität vor.



Insuring the climate transition

Februar 2019

An approach to climate risk analysis – PwC supports global pilot project in the insurance industry. The final report discusses the general approach to assessing the three main climate change risks: transition risks, physical risks, and litigation risks. It outlines key findings across different lines of insurance, provides insights into an integrated framework for climate-related insurance risk disclosures, and suggests additional measures to further improve climate risk management and disclosure in the insurance industry.

Vertrauen in eine zirkuläre Zukunft

Wie Investitionen in die Kreislaufwirtschaft unsere Geschäftstätigkeit verändern werden

Januar 2021

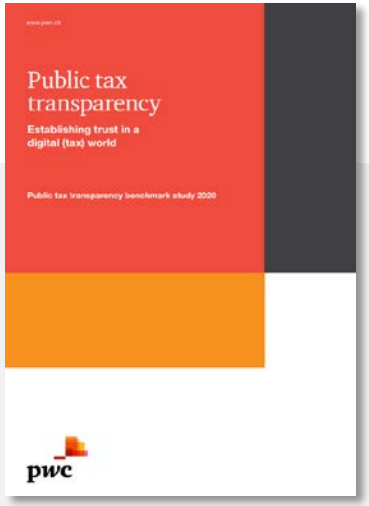
Der Klimawandel findet statt. In Jahrzehnten des boomenden Konsums schien keine Notwendigkeit gegeben zu sein, die Ressourcen unseres Planeten zu schonen. Inzwischen ist man sich einig, dass Veränderungen notwendig sind. PwC und der WWF stellen eine nachhaltige Art des Wirtschaftens vor – die Ausrichtung auf eine Kreislaufwirtschaft.

Sustainable Finance – Webinar Serie

Nächster Anlass:

11. Februar 2021 - SFDR & Taxonomie – Vol II

Our thought leadership



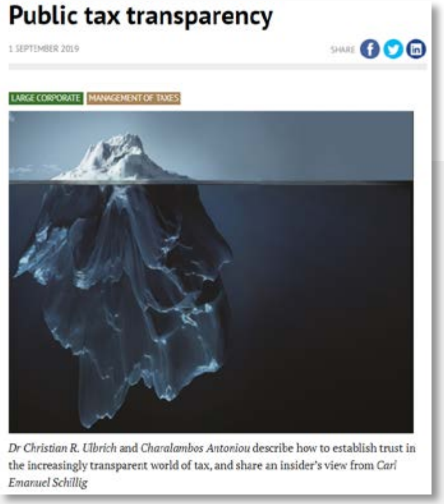
We analyzed the disclosure levels of 50 of the most noteworthy Swiss-based companies across ten different industries. This analysis has been conducted in 2018, 2019 and 2020. Comparing the results from different years, we have tried to identify a trend.

The findings of the Public Tax Transparency Benchmark Study underscore our conviction that public tax transparency will become the norm in the years to come.

https://www.pwc.ch/en/publications/2021/Public-tax-transparency_EN_Paper-4-V2020-web.pdf

In the January 2021 issue of ACCA's Accounting and Business magazine, we published an article on public tax transparency. Outlining various recent developments around public tax transparency, we make the case that tax should be made a part of companies' sustainability reporting. The basic message is that it is time for companies to consider their approach to public tax transparency – especially in the wake of the pandemic.

https://abmagazine.accaglobal.com/global/articles/2021/jan/technical/make-tax-part-of-your-sustainability-reporting.html



In the September 2019 issue of Tax Adviser magazine, we published an article on how to establish trust in the increasingly transparent world of tax. We outline recent developments around public tax transparency, describe what public tax transparency is and why it is important. We argue that companies should be seriously considering whether to take steps to meet the increasingly more transparent tax environment and develop a strategic response. In the article, we also share an interview with Carl Emanuel Schillig (Group Tax Director, Zurich Insurance Group) to provide an insiders' view.

https://www.taxadvisermagazine.com/article/public-tax-transparency

Our thought leadership

In the spotlight: sustainable management

Contributing sustainably: what's the role of tax in building the trust of your stakeholders?

Charalambos Antoniou
Director, Tax Function Design Leader, PwC Switzerland

Tax has suddenly jumped up the sustainability agenda. While the ESG (environmental, social and governance) frameworks used by companies to measure their corporate sustainability have so far tended to focus on the environmental side (do we recycle, what's our carbon footprint, energy consumption, etc.?), we're currently seeing a major shift towards the social and governance components. Among other things there are now solid reporting frameworks available for the growing number of businesses that realise that tax is increasingly perceived as a key factor in sustainability, and that greater tax transparency is an attractive opportunity to build trust.

In this article we look at four initiatives that are propelling tax to the forefront of sustainability, and why it might make sense for you to build tax into your sustainability story especially when the economy will be recovering from the current unprecedent times of COVID-19.

In 2020, we published an article in PwC's Disclose magazine regarding the role of tax in building the trust of a company's stakeholders. We take a look at four initiatives that are propelling tax to the forefront of sustainability, and argue why it might make sense for companies to build tax into their sustainability story especially when the economy will be recovering from the current unprecedent times of COVID-19. The message is that tax is fast being recognized as a key factor in a company's claims to operating sustainably. Who ignores this rapidly evolving trend might risk running into problems with their stakeholders.

https://www.pwc.ch/en/insights/disclose/31/contributing-sustainably.html

EU Parliament and Member States reach provisional political agreement on public country-by-country reporting for big multinational groups.

On 1 June 2021, negotiators for the European Parliament and the Portuguese EU Council Presidency, on behalf of the Council of the EU (EU-27 Member States), provisionally reached a compromise deal on the EU's draft Directive on public country-by-country reporting ('Public CbCR') for big multinational groups, according to a Council of the EU's press release.

https://www.pwc.ch/en/insights/tax/agreement-EU-parliament-council-cbcr.html

ESG related Websites

Sustainability and climate change

https://www.pwc.ch/en/transformation/sustainability-climate-change.html

Sustainable Finance

https://www.pwc.ch/en/industry-sectors/financial-services/sustainable-finance.html

Tax Transparency

https://www.pwc.ch/en/services/tax-advice/tax-transformation/tax-transparency.html

Diversity & Inclusion

https://www.pwc.ch/en/services/people-organisation/diversity-and-inclusion.html

EQUAL-SALARY certification

https://www.pwc.ch/en/services/people-organisation/equal-salary-certification.html

Cybersecurity and privacy

https://www.pwc.ch/en/services/digital/cybersecurity.html