



Australian Treasury

Corporate and International Tax Division

Treasury

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GRI Response- Consultation on Disclosure of subsidiary information- April 2023

TREASURY LAWS AMENDMENT (MEASURES FOR CONSULTATION) BILL 2023: MULTINATIONAL TAX TRANSPARENCY – DISCLOSURE OF SUBSIDIARIES

GRI would like to thank the Australian Treasury for their continued commitment towards enhanced tax transparency and for the opportunities for providing feedback through open multi stakeholder consultations. We commend the Australian Treasury for this initiative and would like to emphasize GRI's support. As stated in our [previous response](#) to the treasury on the matter of Multinational Tax Transparency in September 2022, GRI believes that tax transparency plays a critical role in global sustainable development, through enabling enhanced assessment and management of outward impacts, as well as financial risks and opportunities.

As GRI will highlight in our response to this consultation, we support the proposal to require public companies to publicly disclose tax information about their subsidiaries including tax residency, ownership breakdown and entity type, as well as the requirement for directors, chief executive officers and chief financial officers to sign off on the statements. In GRI's view, such information and sign off is important for management of (tax) risks and impacts and for strengthening (tax) governance, and for this reason is included within the GRI Standards. In this response we will point to where related disclosures and principles can be found in the GRI Standards.

- Requirement for consolidated companies to disclose entity information.

Information on company ownership structure and information on subsidiaries, such as type and tax residency enables increased overview of a company's impacts, as well as financial and legal risks, and such information is requested within the GRI Standards.

For example, GRI 2: General Disclosures 2021, which contains mandatory disclosures for organizations reporting in accordance with the GRI Standards. Disclosure 2-1 requests information on the organization's nature of ownership and legal form, and Disclosure 2-2 asks for information on the entities included in the organization's sustainability reporting. Where there are multiple entities the company must also provide the approach used for consolidating the information. The guidance to this disclosure clarifies that this includes entities controlled by the organization, such as subsidiaries, joint ventures, and affiliates, and companies should report information for the same group of entities as covered in its financial reporting.

GRI 3: Material Topics 2021 provides step-by-step guidance for organizations on how to determine their key impacts, and Step 1 on understanding the organization's context stipulates that organizations should consider the activities, business relationships, stakeholders, and sustainability context of all the entities it controls or has an interest in (e.g., subsidiaries, joint ventures, affiliates), including minority interests.





On reporting on tax specifically, information on subsidiaries is also included in GRI's Tax reporting standard, GRI 207: Tax 2019 in Disclosure 207-4; companies must report all the tax jurisdictions where the entities included in the organization's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes, names of resident entities.

- **Requirement for directors, chief executive officers and chief financial officers to declare that the consolidated entity statement is in their opinion true and correct**

Requiring directors, chief executive officers and chief financial officers to sign off on consolidated entity statements further embeds and strengthens internal control and governance of companies. 'Verifiability', which is one of the reporting principles of the GRI Standards, set out in GRI 1: Foundation 2021 requires that companies set up internal controls and also document the decision-making processes underlying the organization's sustainability reporting.

In GRI 2: General Disclosures, Disclosure 2-12 asks for reported information of the role of the highest governance body in overseeing the management of impacts (such as for example, tax, human rights, biodiversity). Descriptions of how the highest governance body delegates responsibility for managing the organizations impacts on the economy, environment and people are required under Disclosure 2-13. Disclosure 2-14 asks for the role of the highest governance body in sustainability reporting, as well as the process for reviewing and approving the information. The guidance to this disclosure states the organization can also report whether the highest governance body reviews the adequacy of the organization's internal controls to strengthen the integrity and credibility of the organization's sustainability reporting.

GRI 207: Tax 2019 also requires information concerning the new requirements as set out in this exposure draft. For example, the requirements in Disclosure 207-1 include information on the governance body or executive-level position within the organization that formally reviews and approves the tax strategy, and the frequency of this review. The disclosure also includes information on how the approach to tax is linked to the business and sustainable development strategies of the organization. Descriptions of tax governance and control frameworks must also be provided under 202-2, including the governance body or executive-level position within the organization accountable for compliance with the tax strategy.

Concluding comments

GRI looks forward to continuing to engage with the Australian Treasury, including on the next iteration of the Treasury's initiative on public-country-by country reporting, which was published on the 6th of April. We would like to reiterate GRI's support to the Treasury on this initiative.

We thank you once again for enabling multi stakeholder feedback, and GRI remains available to any questions regarding the contents of this response.

Sincerely,

Peter Paul van de Wijs

Chief Policy Officer, Global Reporting Initiative

