MEMO- VIGEO EIRIS METHODOLOGY

Universe of the study:

- 1139 companies headquarters in Europe, North America, Asia Pacific and Emerging markets
- 29 sectors
- 57 countries
- Assessment period: January 2016 – February 2017

Our methodology

Companies have a key role to play in the fair payment of taxes to support local governments, guarantee a fair competition and foster sustainable development. Preventing tax avoidance and reporting transparently on tax is a fiduciary duty for companies as acknowledged by international standards, such as Action 13 of the OECD Base Erosion and Profit Shifting Action Plan (2015), and regional regulations, such as the EU Anti-Tax Avoidance Directive (2016). These standards require multinational companies to provide tax authorities with a country-by-country report. In Europe, public tax reporting is already compulsory for extractive companies and financial institutions, and on 4th July 2017 the European Parliament adopted a proposal urging multinational companies to publish their tax reports, broken down by country.

Taking recent legislative developments into account, companies are expected to provide, by country or area of activity, detailed information on their tax payment and their operational activities. They must also justify their physical presence or the presence of their assets in tax havens or offshore centers.

How do we assess companies level of tax reporting?

In our questioning, we assess companies' level of reporting on a scale from 1 to 4:

- A score of 1 is granted to companies that either do not report on their tax payments at all, or only report on gross taxes paid with no breakdown by region or country.
- A score of 2 is granted for partial corporate tax reporting with a geographical breakdown of activities, but no reporting on operational figures
- A score of 3 is given when company' tax reports include a geographical breakdown and some operational figures.
- A score a 4 is given when tax reporting includes a geographical breakdown, operational figures, and specifics on the actual rate of tax paid, as well as an explanation when this rate differs from the statutory rate.

How do we assess the degree of severity of controversies?

Our assessment takes into account, the alleged facts, the scale of impact on stakeholders, the level of management involved, and the reputational, financial, legal and operational implications for the company.

Controversy cases found involve a significant and non-justified presence of companies in a tax haven or offshore centers, tax avoidance practices such as transfer pricing and disputes over royalties. These facts are either revealed by the media or NGOs or investigated by regulators.
Our internal quality processes require data and information collected to be extracted from publicly available sources and to come from reliable identified and multiple stakeholders.