

To Coloplast
Att. Chairman Lars Rasmussen

21. oktober 2020
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Shareholder Proposal on Tax

Undertake and publish tax transparency feasibility assessment

Proposal

For the board of directors to complete an assessment of the viability of Coloplast to publish corporate country-by-country tax reporting in line with the Global Reporting Initiative's standard (GRI 207: Tax 2019) starting from Financial Year 2021/22. The findings of the assessment should be made public before the AGM in 2021.

Motivation

The GRI Standards make up the world's most widely adopted sustainability reporting framework.

The GRI Tax Standard¹ is the first global standard for comprehensive tax disclosure at the country-by-country level. It supports public reporting of a company's business activities and payments within tax jurisdictions, as well as their approach to tax strategy and governance.

Global investors, civil society groups, labor organizations and other stakeholders have signaled their backing for the Tax Standard, as it will help address their growing demands for tax transparency.

The Tax Standard has been developed in response to concerns over the impact tax avoidance has on the ability of governments to fund services and support sustainable development – and to give clarity on how much companies contribute to the tax income of the countries, where they operate.

¹ GRI (2019): <https://www.globalreporting.org/standards/media/2513/gri-207-tax-standard-2019-factsheet.pdf>

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Coloplast has already taken significant steps to demonstrate a responsible approach to corporate tax, e.g. by publishing a tax policy, and we as long-term investors in the company have no reason to suspect that the company is not paying its fair share of tax.

However, investors and other stakeholders increasingly expect leading companies committed to sustainable development and corporate responsibility, such as Coloplast, to lead the way on corporate tax transparency by producing public country-by-country reports (PCbCR) on tax.

Multinational companies are already required to produce country-by-country tax reports to government tax authorities based on the OECD BEPS-template². However, this information is generally not made available to investors or the public.

For certain industries PCbCR is mandatory under EU rules. This is the case for the banking sector, logging, and extractives industries³. Tax transparency is becoming hard law, and leading companies that pay their fair share of tax stand to benefit from more fair competition likely to arise from increased level of tax transparency. In 2016 the EU Commission proposed a directive⁴ aimed at mandatory tax transparency on a country-by-country basis for multinational companies doing business in EU countries, but the legislative process could take several more years and approval depends on the backing of the EU Member States.

Meanwhile, leading companies such as Ørsted in Denmark and Vodafone in the UK have voluntarily decided to adopt PCbCR, going beyond the minimum legal disclosure requirements. This has been done in a way carefully designed not to expose sensitive information that could harm the companies. For instance by avoiding disclosure of information that would erode their competitive position which is perhaps the most common argument against undertaking PCbCR on tax.

Boards of global companies have a key role to play and should assess if and how their companies can help tackle the systemic societal issue of corporate tax avoidance and lack of transparency, which currently results in unfair competition and less tax revenue to fund essential public services globally.

We therefore ask the board of directors at Coloplast to undertake an assessment of the viability of voluntary public corporate country-by-country tax reporting in line

² OECD: <http://www.oecd.org/tax/beps/> (accessed 2020-09-14)

³ EU COM (2016): https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/public-country-country-reporting_en#overview (accessed 2020-09-14)

⁴ EU COM (2016): https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/public-country-country-reporting_en#a-idproposal-nameproposalaproposed-tax-transparency-rules-for-multinationals (accessed 2020-09-14)

with the Global Reporting Initiative's standard (GRI 207: Tax 2019) starting from Financial Year 2021/22. The findings of the assessment should be made public before the company's Annual General Meeting in 2021.

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