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SEMINAR D SESSION REPORT

ESG & Taxation

Tuesday, 7 October 2025 | 13:15-15:15

Chair
Gabrielle Galdino-Glaeser (Brazil/UK)

Panel members
Nathalie Mognetti (France)

Dirk-Jan Sinke (Netherlands)

Alex Miguel Cordova (Peru)

Peter Hongler (Switzerland)

Tom Roth (USA)

Carla Maldonado (Chile)

Dan Jennison (UK)

Prepared by Secretary
Rupal Maheshwari (Germany)

1. Introduction

Seminar D focused on the intersection between Environmental, Social, and Governance (ESG) & Tax, with perspectives on (i) the evolving landscape of ESG, and how tax measures and practices became intertwined with ESG, notably environmental taxes, tax incentives and corporate governance frameworks; (ii) how tax may feature in ESG disclosures and (iii) current and upcoming global trends on ESG and taxationBusinesses are experiencing a shift in trust parameters and increasing pressure from all stakeholders to address climate change and other societal critical issues. In emerging markets, the huge potential for growth and sustainable development runs in parallel with geo-political issues, strained finances and governance issues. In this context, tax is increasingly referred to as an important tool to mitigate and address these and other environmental, social and governance issues.

The session aimed at debating the complex interplay between ESG and tax. Panelists discussed how ESG may influence long-term decision-making across corporations, academia, policymakers, consultants, and tax authorities. Emphasis was placed on the differing perspectives between Global North and emerging markets.

2. Main Topics Discussed

2.1. Topic 1: Introduction to ESG, and how Tax fits into E, S and G.

The panelists shared a comprehensive overview of the relationship between ESG principles and tax strategies. It traced the origins of ESG to the UN's Global Compact in the early 2000's, which aimed to promote responsible corporate citizenship amidst the challenges of globalization. Panelists examined how geo-political and historical events pushed tax into the ESG framework, sparking growing external pressures for sustainable behavior, heightened expectations from society, and the evolution of governance strategies within corporations.

Three key forces — stakeholder pressure, commercial incentives, and maturing ESG governance — drove the integration of tax into ESG strategy and discussions. The 2008 financial crisis and subsequent public scrutiny on multinational tax practices marked a turning point, transitioning businesses from legal compliance to a value-driven and strategic ESG alignment.

The dual role of tax was emphasized: a fairness determinant (social license to operate) and a risk mitigator for long-term investor confidence. Concerns and scrutiny over aggressive tax practices and civil society expectations over the “fair share” of taxation heightened tax transparency demands. Regulatory shifts, such as OECD’s Base Erosion and Profit Shifting (BEPS) project, restructured corporate tax behavior globally.

The sectoral contexts have been diverse. For instance, extractive industries were early adopters of tax transparency in the early 2000s. After 9/11, the scope of tax transparency was mostly focused on financial integrity. From a corporate point of view, ESG represents a pathway to sustainable growth, focusing on fair tax contributions that share value with host countries and communities. ESG-aligned taxation increasingly shaped public welfare (e.g., HMRC levies on carbon reduction, sugar content), while governance improvements propel trust via initiatives like the Dutch Governance Code.

The panellists shared specific examples how ESG and Taxation overlap in policy and practice, namely,

- **The Netherlands**: Dirk-Jan Sinke shared the development of a voluntary Tax Governance Code, which provides a framework of principles for responsible tax behaviour and transparency. This is aimed at restoring (i) trust in companies, and (ii) trust in the tax system.
- **Latin America**: Alex Miguel Cordova shared examples of collaborative tax compliance programs (notably in Brazil, Chile, and soon in Peru) and a discussion on deductibility of social responsibility expenses as ruled by the Peruvian Constitutional Court. He also clarified that emerging markets such as those in LATAM sources raw materials to developed economies, hence social and environmental aspects – being key to development – should be assessed differently in comparison to parameters in developed countries.
- **HMRC Initiatives**: Dan Jennison shared examples from the UK such as the introduction of (i) environmental taxes to change behaviour such as the Landfill Tax, Climate Change Levy, Plastic Packaging Tax, and Aggregates Levy all aim to reduce waste, promote recycling, and encourage energy efficiency, (ii) social levies to support broader societal goals, such as the Soft Drinks Industry Levy and The Energy Profits Levy and Electricity Generator Levy - effective in addressing public health issues and high energy prices, and (iii) governance models for large

businesses such as Publication of Tax Strategies and HMRC's Cooperative Compliance Framework, with dedicated Customer Compliance Managers. **Soft law vs Hard law**: Peter Hongler shared parallels on disclosures provided for in hard law, such as the European Union's (EU) Corporate Sustainability Reporting Directive (CSRD), Public CbCR (EU, Australia) and publication of tax strategy in the UK, and soft law, such as GRI 207, Tax Governance Code (Netherlands), World Economic Forum (WEF) recommendations, The B-Team principles, OECD Guidelines, UN Global Compact and International Finance Corporation (IFC).

The discussion was wrapped up on Topic 1 with the example of GRI 207 as the widely used standard, which has qualitative as well as quantitative disclosures.

2.2. Topic 2: Deep diving into sustainability disclosures and correlation with tax

The panelists delved deeply into the growing role of taxes in ESG disclosures. While the EU's CSRD topics do not include tax as a specific topic, the discussion focused on the concept of double materiality and whether tax should be considered 'material'. Further, the panelists discussed diverse perspectives on what it means to adhere to the spirit of the law. The discussion also delved into the impact of taxes on ESG ratings.

The panel discussion highlighted that under the EU's CSRD, companies are required to perform a double materiality assessment – an assessment of outward impacts and financial materiality - that will underpin disclosures of sustainability topics and relevant information. Some panelists flagged that there is a discussion as to whether tax could be deemed material under the double materiality assessment, in which case it may trigger a disclosure obligation under CSRD. Some participants noted that tax may be deemed material when they have significant societal impacts or a financial bearing on a company's performance, such as in cases of aggressive tax planning.

Panelists discussed the EU Taxonomy Regulation's obligation to, inter alia, adhere to the "spirit of the law" with regard to tax. The complexity of adhering to the "letter and spirit of the law" was examined, with diverse views emphasizing that such adherence in writing could be a source of litigation due to varying national legal frameworks. The panel noted the reluctance among some companies to formally commit to this principle, notwithstanding their agreement on the fact that it is a fundamental feature of responsible corporate citizenship. In this context, HMRC's guidance in the UK encourages compliance behavior and reporting of Uncertain Tax Treatments, underscoring a purposive interpretation of tax laws.

Finally, the role of ESG rating agencies was discussed, with concerns raised about the opaque and inconsistent treatment of tax metrics and their limited weighting (2-5%) in overall ESG rating assessment. The potential for greenwashing was also highlighted, given the lack of harmonized methodologies among rating agencies.

The panel addressed the following examples and case law:

- Companies like TotalEnergies and Anglo-American voluntary publish Tax Transparency Reports, considering there are material amounts of other taxes. The reports are published as per World Economic Forum Standard and in line with GRI 207 with a breakdown of Corporate Income Tax and Total Tax Contribution in the main countries of operation.
- HMRC's Guidelines for Compliance highlight best practices for businesses, including how to disclose uncertain tax treatments and reporting for Uncertain Tax Treatments: it signals when a business recognises that its position may not align with HMRC’s view or the law’s intended purpose.
- Peter Hongler shared outcomes of his research[1] on Tax & Sustainability which tries to measure tax as a component of ESG rating matrix.

These insights provided a platform for a discussion on sustainable tax practices for businesses.

2.3. Topic 3: Business case for Sustainable tax practices

The discussion on Sustainable Tax Practices: The Business Case for ESG & Taxation highlighted diverse frameworks, strategies, and initiatives underscoring how sustainability in tax practices often aligns with long-term corporate objectives and societal expectations.

On one hand, there are initiatives like IFC’s Responsible Tax Practices Program - as a crucial initiative designed to support emerging-market companies in adopting responsible tax governance. On the other hand, in the Netherlands, companies have collaboratively developed a code, which fosters accountability and transparency in tax practices among

[1] Tax and Sustainability Study 2022/2023

companies. Similarly, on an individual corporate level, there are important initiatives running such as Anglo American's Sustainable Mining Plan that can build investor confidence, mitigate risks, and enable long-term planning. The panel addressed the IFC Responsible Tax Practice Program, launched in April 2025, representing a structured initiative aimed at supporting companies in emerging markets to adopt responsible tax behavior. Central to the program is the "virtuous circle" where corporate responsibility fosters trust, which enables cooperative dialogue between businesses and tax authorities.

Furthermore, the panel also highlighted the Dutch Tax Governance Code promoting corporate tax transparency, with its six pillars (i) publishing a clear tax strategy, (ii) integrating tax governance into corporate social responsibility, (iii) tax compliance - where companies adhere to letter and spirit of the law, (iv) avoiding artificial structures, (v) establishing robust relationships with stakeholders, and (vi) challenging tax transparency and reporting.

TotalEnergies shared its views on the key success factors in tax transparency, including sustainable tax practices to be seen as a strategic advantage rather than compliance alone. trong internal alignment at the highest level, contextualized reporting, reliable processes for data collection, and a clear commitment from leadership. Importantly, responsible tax behavior was framed as an ongoing journey rather than an end goal. Additionally, Anglo American's .

Sustainable Mining Plan illustrated the integration of sustainable tax practices into operational strategy . Its pillars focus (i) healthy environment, (ii) thriving communities, and (iii) trusted corporate leader. Transparency in tax behavior strengthens trust with governments, communities, and stakeholders, ensuring stability in tax systems and reducing operational risks.The panel further examined the tax policies across Latin America , highlighting incentives such as accelerated depreciation for renewable energy investments, import tax exemptions for sustainable technologies, and tax credits for environmentally friendly projects. Similarly, disincentives like carbon taxes, pollutant-related levies, and consumption taxes on harmful goods were discussed as measures driving ESG-aligned transitions. These policies underscore the region's efforts to balance economic growth with sustainable development.

The Topic was concluded with a bridge to how the panel sees ESG & Taxation evolving in the coming years.

3. Conclusions and Key Takeaways

The panel underscored the divergent regional approaches to ESG and taxation. Europe remains a frontrunner in tax transparency, green taxation (e.g., CBAM), and fiscal policies tied to the climate agenda, despite a recent slowdown amidst regulatory fatigue and competitiveness concerns. The United States remains politically polarized. Latin America's emphasis on social development, fairness, revenue mobilization, and focus on fiscal accountability reflects societal demands.

The panel identified the following areas as pressure points:

- **Diverging Views**: The panel illustrated the contrasting approaches to tax transparency and ESG principles between Europe and other regions. While Europe pushes for stringent transparency and accountability measures, other areas may prioritize economic competitiveness and social development.
- **Transparency & Accountability**: The advantages for companies to embrace and share transparency in their tax practices were emphasized.
- **Climate Litigation**: **Addressing Climate and Taxation**: States face binding legal obligations to mitigate emissions, in light of the rulings - ICJ Advisory Opinion (2025) and ECtHR KlimaSeniorinnen Judgment (2024). According to some panellists, this emphasizes that under-taxed sectors, such as aviation, could become the focus in coming years, making climate-focused taxation a legal necessity.

Looking forward, the panel addressed that companies must navigate a complex, fragmented global ESG-tax landscape. Governments can foster broader ESG adoption through targeted tax incentives and cooperative compliance programs. Businesses that integrate tax transparency into their ESG agenda will not only strengthen trust with stakeholders but also reduce regulatory risks. As climate obligations tighten, fiscal tools may shift from policy discretion to legal necessity. Moreover, aligning ESG policies with regional priorities will be essential for ensuring competitive sustainability and long-term value creation.

Overall, the seminar emphasized that while challenges persist, a collaborative approach involving the government, private sector, and civil society can profoundly impact the successful integration of tax practices within the sustainability agenda across various regions.