



FACTCOALITION

Financial Accountability & Corporate Transparency

July 9, 2019

Chairwoman Carolyn Maloney
Ranking Member Bill Huizenga
U.S. House Committee on Financial Services
Subcommittee on Investor Protection, Entrepreneurship and Capital Markets
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairwoman Maloney, Ranking Member Huizenga, and Members of the Subcommittee,

On behalf of the Financial Accountability and Corporate Transparency (FACT) Coalition we thank you for holding this important hearing on “Building a Sustainable and Competitive Economy: An Examination of Proposals to Improve Environmental, Social and Governance Disclosures.” We appreciate the opportunity to offer these comments for the record.

The FACT Coalition is a non-partisan alliance of [more than 100 state, national, and international organizations](#) working toward a fair tax system that addresses the challenges of a global economy and promoting policies to combat the harmful impacts of corrupt financial practices.

While we support financial transparency in a number of areas, our comments today will focus on our support for income and tax disclosure on a country by country level as included in the draft legislation entitled, “H.R. ____ : To require issuers required to file an annual or quarterly report under the Securities Exchange Act of 1934 to disclose the total amount of corporate tax such issuer paid in the period covered by the report, and for other purposes [\[PDF\]](#).”

Income and tax information at the country-by-country level is what investors need to better understand a company’s financial, reputational, and economic risks, gauge their level of risk tolerance, and make informed investment decisions. We have attached a letter sent by more than two dozen investors to the Global Reporting Initiative (GRI), whose CEO is testifying at the hearing, in strong support of GRI’s draft proposal in this area for publicly traded companies. We are also attaching a letter from FACT to GRI supporting its proposal. Both letters outline the urgent need for increased corporate transparency.

This hearing, the GRI proposal and the draft legislation come at a particularly important moment. As detailed in a recent FACT Coalition report, [Trending Toward Transparency: The Rise of Public Country-By-Country Reporting](#), there is a growing global trend toward this type of disclosure. Additionally, the Financial Accounting Standards Board (FASB) is currently considering new income and tax transparency [standards](#) that do not adequately address the problems of corporate secrecy and aggressive tax planning. Nor does the FASB proposal conform to emerging international corporate transparency standards.

In a recent [letter](#) to FASB on its draft tax disclosure proposal, investors with more than \$1 trillion in assets under management expressed these criticisms:

“While we appreciate the recognition by FASB that tax transparency is of growing concern to investors, we are disappointed that the new proposed standards fall far short of what we believe is needed to help us — and other investors — make sound decisions when investing in U.S. companies.”

The letter went on to call upon FASB to rethink its entire proposal:

“Given the global movement around tax transparency — with 80 percent of companies surveyed by Deloitte expecting public country-by-country reporting to be adopted in the next few years — failing to conform to emerging uniform global standards for those who invest in U.S. companies will put us at a competitive disadvantage, as well as likely require FASB to go back to the drawing board to re-propose these rules.”

This hearing offers an opportunity to assess pending proposals to increase corporate tax, financial, and other basic disclosures on a country-by-country basis. We urge the Committee to follow up this hearing with a markup on legislation to increase corporate tax transparency and all for members to support the proposal.

Thank you for your consideration of our views. We look forward to working with you to improve the integrity of our markets through greater transparency.

Sincerely,

A handwritten signature in black ink that reads "Gary Kalman". The signature is written in a cursive, flowing style.

Gary Kalman
Executive Director

FACTCOALITION

1225 Eye St. NW, Suite 600 | Washington, DC | 20005 | USA
+1 (202) 827-6401 | @FACTCoalition | www.thefactcoalition.org