

Disclosure 207-2

Tax governance, control, and risk management

Reporting requirements

The reporting organization shall report the following information:

- a. A description of the tax governance and control framework, including:
 - i. the governance body or executive-level position within the organization accountable for compliance with the tax strategy;
 - ii. how the approach to tax is embedded within the organization;
 - iii. the approach to tax risks, including how risks are identified, managed, and monitored;
 - iv. how compliance with the tax governance and control framework is evaluated.
- b. A description of the mechanisms for reporting concerns about unethical or unlawful behavior and the organization's integrity in relation to tax.
- c. A description of the assurance process for disclosures on tax and, if applicable, a reference to the assurance report, statement, or opinion.

Disclosure
207-2

Guidance

Background

Having robust governance, control, and risk management systems in place for tax can be an indication that the reported approach to tax and tax strategy are well embedded in an organization and that the organization is effectively monitoring its compliance obligations. Reporting this information reassures stakeholders that the organization's practices reflect the statements it has made about its approach to tax in its tax strategy or equivalent documents.

Guidance for Disclosure 207-2-a

When describing the tax governance and control framework, the reporting organization can provide examples of effective implementation of its tax governance, control, and risk management systems.

Guidance for Disclosure 207-2-a-i

If the highest governance body in an organization is accountable for compliance with the tax strategy, the organization can specify the degree to which the highest governance body has oversight of compliance. The organization can also specify any accountability for compliance delegated to executive-level positions within the organization.

Guidance for Disclosure 207-2-a-ii

When reporting how the approach to tax is embedded within the organization, the organization can describe processes, projects, programs, and initiatives that support adherence to the approach to tax and tax strategy.

Examples of such initiatives can include:

- training and guidance provided to relevant employees on the link between tax strategy, business strategy, and sustainable development;
- remuneration or incentive schemes for the person(s) responsible for implementing the tax strategy;
- succession-planning for positions within the organization that are responsible for tax;
- participation in tax transparency initiatives or representative associations that seek to develop best practice around disclosures on tax or educate stakeholders on tax-related issues.

Guidance for Disclosure 207-2-a-iii

Tax risks are risks associated with the organization's tax practices that might lead to a negative effect on the goals of the organization, or to financial or reputational damage. These include compliance risks or risks such as those related to uncertain tax positions, changes in legislation, or a perception of aggressive tax practices.

When reporting on the approach to tax risks, the organization can describe its risk appetite and tolerance and provide examples of tax practices it has avoided because they are misaligned with its approach to tax and tax strategy. Risk appetite and tolerance indicate the degree of risk the organization is willing to accept in determining its tax positions.