# Inside global tax functions:

## How they are managing today and transforming for tomorrow

Special report:
A focus on the social and governance pillars of ESG

**2023 KPMG Global Tax Function Benchmarking Survey**

KPMG International

kpmg.com

How does your company's tax function stack up against its peers when it comes to supporting environmental, social and governance (ESG) goals?

For tax executives of multinational organisations, benchmarking against comparable tax functions can be a powerful tool for reflecting on your current position and planning how to prepare your function for the future.

To help, KPMG International conducts an ongoing survey of the tax functions in multinational organisations around the world. The data gained offers insights into tax functions around the world and how they are evolving in their structure, governance, priorities and performance measures, through the use of technology and more.

In this special report on tax governance and policy, we zero in on data from close to 200 tax leaders of organisations headquartered in 22 jurisdictions. The data offers insights specific to tax functions and how they are evolving in their support for their company's ESG objectives.

What do the latest results tell us? Few international companies have fully implemented a robust, company-wide ESG framework for tax, while many other companies are working to establish new policies or shore up existing ones.

Another group of companies appears not to be giving attention to this area, which may put them at a disadvantage as international tax reform brings more ESG-related disclosures and tax transparency measures onstream.

This report presents an overview of selected key findings from the survey data through to early 2023, and highlights some important takeaways for tax leaders.

# Contents



# About the survey

- KPMG International's Global Tax Function Benchmarking Survey charts the evolution of leading tax departments and identifies operational benchmarks for high-performing tax teams.
- The selected findings in this summary report are based on a survey of **close to 200 leaders** in charge of tax policy and operations of companies in all major sectors, with participants from 22 jurisdictions worldwide.
- Over **65 percent** of respondent organisations have more than US$5 billion in annual revenue or turnover. About **90 percent** have global tax departments serving operations in multiple countries/jurisdictions. About two-thirds of respondent organisations are public companies.
- Tax leaders can still participate in the survey. By doing so, you will have the opportunity to receive personalised insights into how your tax department compares across key areas. Please visit **kpmg.com/taxbenchmarking** or email **tax@kpmg.com** to learn more.

# Tax and the ESG agenda

**ESG concerns have risen to the forefront in recent years as the pandemic, extreme weather and other events drew the world's attention to the environmental and social consequences of what businesses do and the responsibility of companies toward people and society more broadly.**

Now that ESG concerns are a top priority for the leadership of many companies, tax functions have an important role to play in realising corporate environmental, social and governance (ESG) goals.

Survey results show that 20 percent of tax leader respondents are taking charge of tax responsibility within their organisations, helping to set appropriate tax policies as well as governance processes to ensure policies are followed. Chief Tax Officers have also become important ESG champions, engaging in the debates at public forums such as the Organisation for Economic Co-operation and Development (OECD) and explaining measures being taken to improve tax fairness and responsibility within their organisations.

The work of the OECD and the Inclusive Framework to develop more equitable, transparent international tax rules is also adding to the pressure that today's tax functions are under. When asked to name the most impactful disruptor for their organisation in the past year, the top answer by far was tax reform, named by a high majority of Chief Tax Officers surveyed. Fourteen percent of the respondents said they were most impacted by tax transparency mandates, sustainable governance matters and other ESG issues.

The survey questions behind this report were developed in late 2022, when there were fewer carbon pricing or taxation regimes, pollution and resource taxes in force. Since then, the introduction of new taxes has increased costs for businesses, forced reevaluation of supply chains, and placed an often extremely large administrative burden on tax or finance teams, requiring huge amounts of data for reporting alone. This is only set to increase, and we will endeavor to explore these issues in future iterations of this survey or other publications.

# Tax-related ESG policies

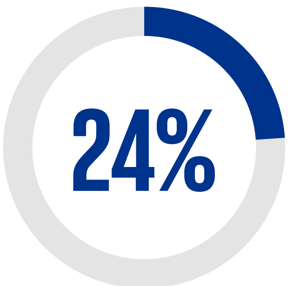
**Design of a policy framework to govern the business's approach to tax and ESG seems to be a work in progress for many companies.**

In the survey, 56 percent of Chief Tax Officers said their company has a policy that considers the ESG of tax-related business decisions to some extent. One in five respondents say their tax ESG policy is robust and highlights their company's tax risk appetite, governance and control. About one-quarter of respondent companies have plans to strengthen their policies by improving their disclosures around risk tolerance and governance.

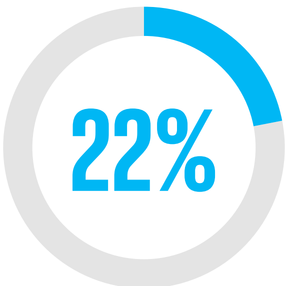
By contrast, just over one in five respondents has no ESG policy related to tax and no plans to create one.

It seems that private company tax functions are somewhat behind their public counterparts in adopting an ESG approach to tax. Significantly fewer Chief Tax Officers of private companies said their company has an ESG tax policy (45 percent, compared to 56 percent for all companies), and only 13 percent say their policy is robust.

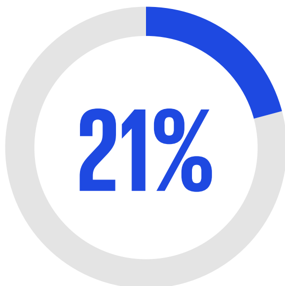
## Does your company have a policy that considers environmental and social impacts of tax-related business decisions?



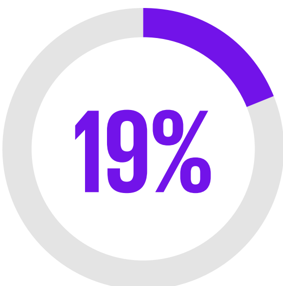

Yes, but it is limited in detail. There are plans to improve our company's disclosures around risk tolerance and/or governance for ESG purposes.



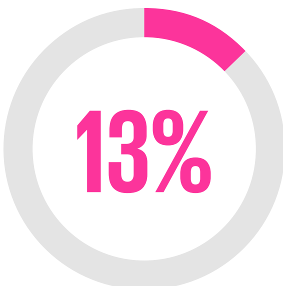

No. We do not have a tax ESG policy and have no plans to create one.




No. We do not have a tax ESG policy, but we plan to create one within the next 18 months.




Yes. It is robust and highlights our company's tax risk appetite, governance, and controls.



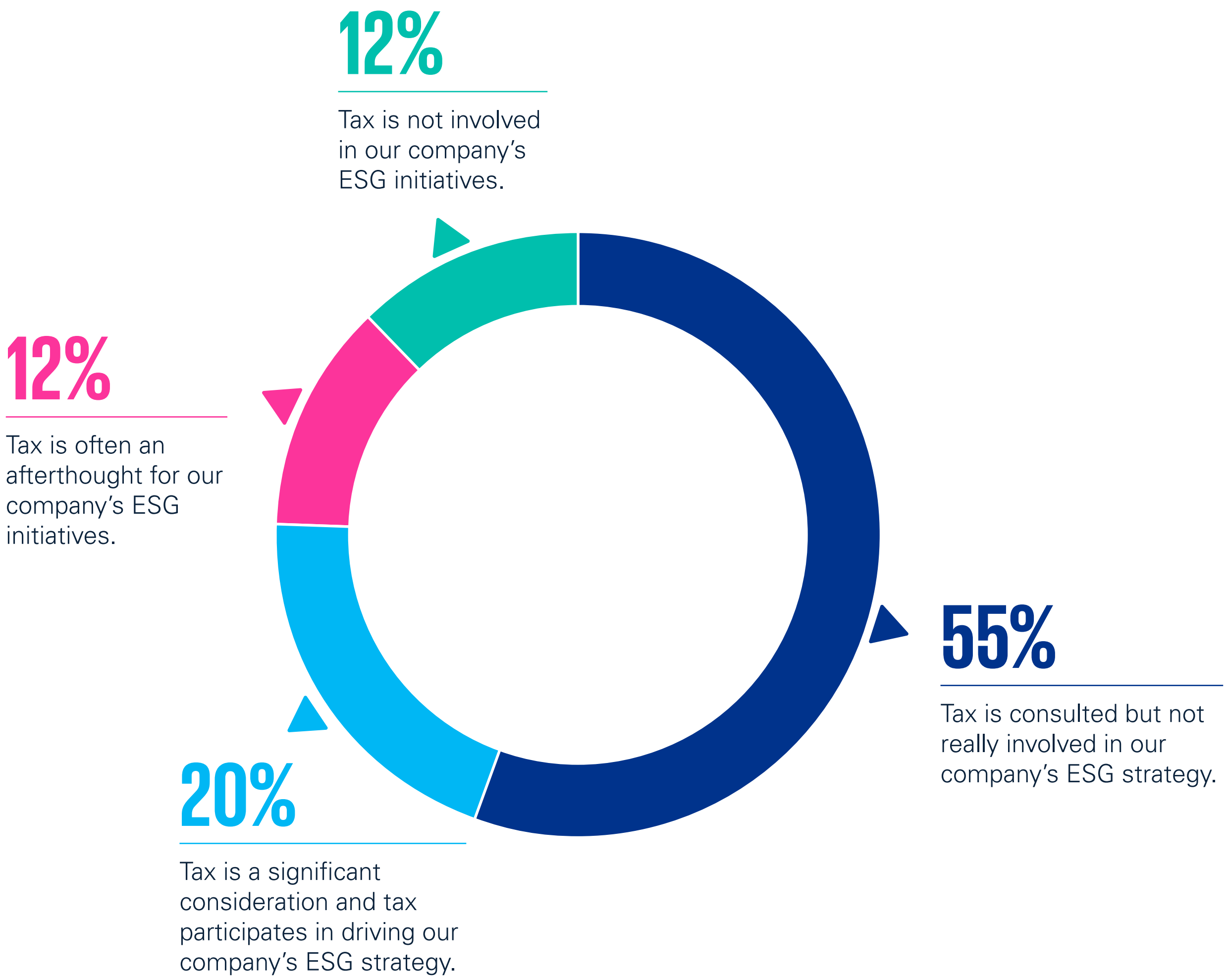

Yes, but it is limited in its detail. No changes are expected.

**Note:** May not total 100% due to rounding.
**Source:** 2023 KPMG Global Tax Function Benchmarking Survey, KPMG International.

While it seems that most companies are aware of the impacts of tax on ESG goals, most Chief Tax Officers do not yet have much say in ESG-related decisions. Only a minority of Chief Tax Officers (20 percent) said tax is a significant consideration in their company's overall ESG initiatives and the tax function plays a role in driving ESG strategy.

In most companies (55 percent), tax is consulted but not really involved in their company's ESG tax strategy. For the remainder, tax is either an afterthought when it comes to ESG initiatives (12 percent), or tax is not involved whatsoever.

## To what extent is the tax function involved with your company's overall ESG initiatives?



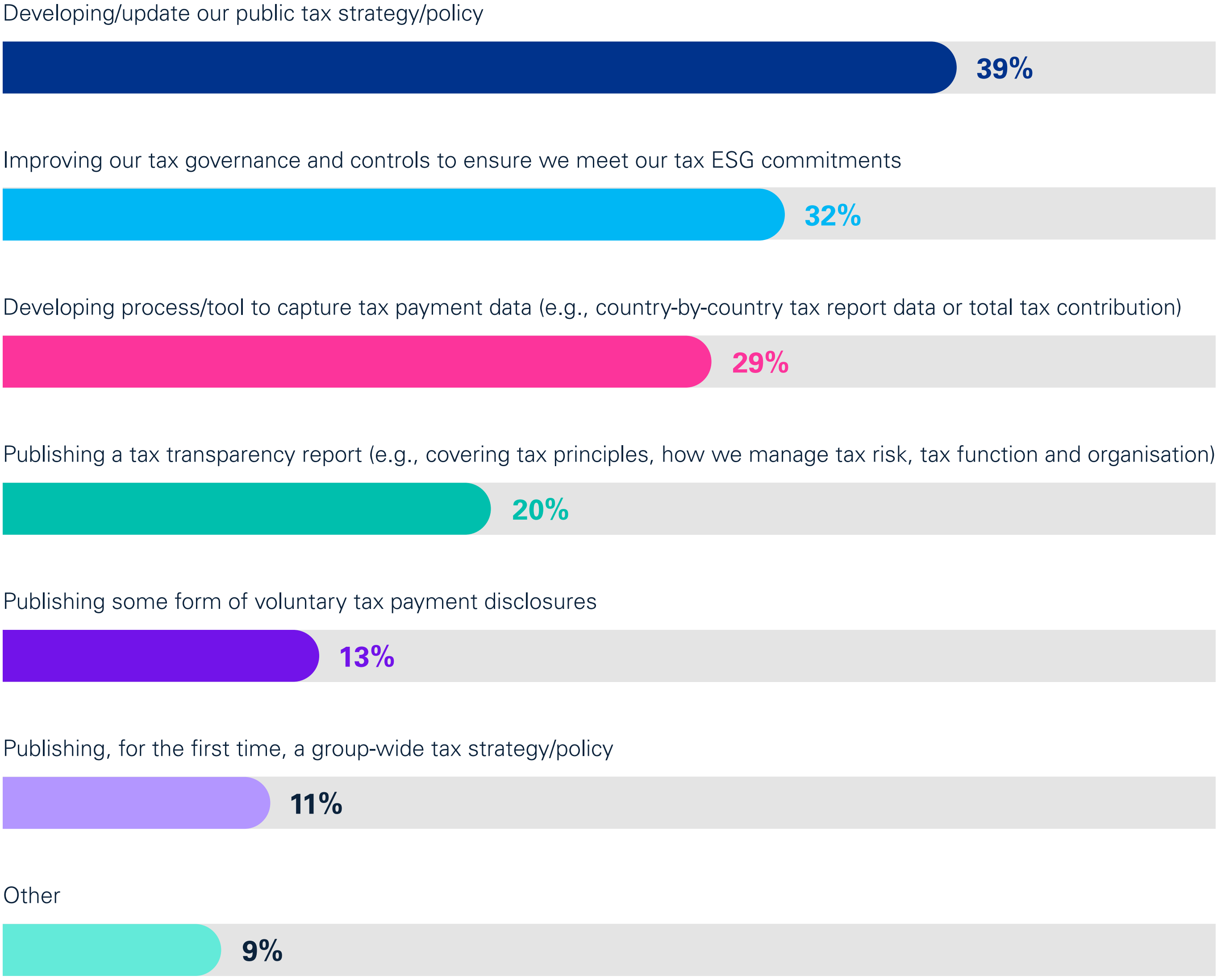

**Note:** May not total 100% due to rounding.
**Source:** 2023 KPMG Global Tax Function Benchmarking Survey, KPMG International.

# Priorities for improvement

**When asked about their company's priorities for ESG and tax in the immediate term, developing or updating their public tax strategy/policy was the most common response, followed by improving tax governance and controls to ensure ESG goals are met.**

Developing processes or tools to capture ESG-related tax data (e.g. country-by-country tax data, total tax contribution) was also among the top three priorities. The survey data represented in this publication was collected during a time when the focus on the tax system as a tool for environmental change has been remarkable, and is the likely driver behind a non-insubstantial response rate for "Other". Understanding how the "E" in ESG is impacting tax functions will be critical in future publications.

## What are your company's immediate priorities for tax and ESG?

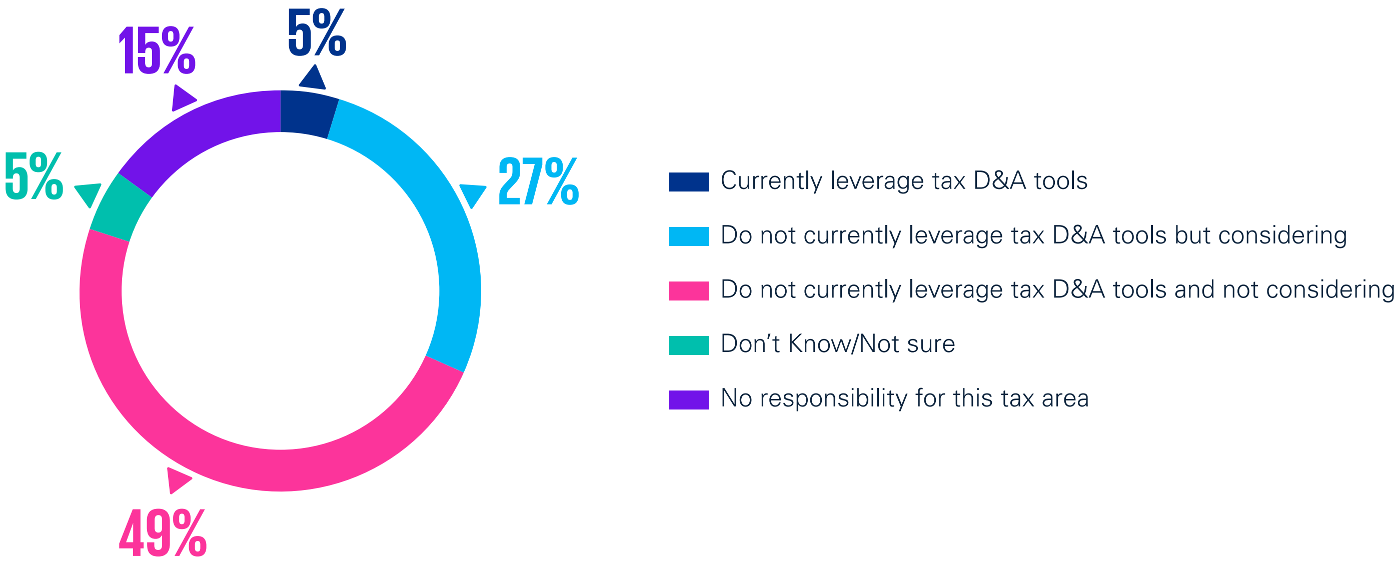



**Note:** Nineteen percent of respondents indicated they have no immediate priorities for tax and ESG.
**Source:** 2023 KPMG Global Tax Function Benchmarking Survey, KPMG International.

Despite the importance of mastering tax data and analytics for effective ESG disclosures and analysis, only five percent of respondents now leverage tax data and analytic tools to prepare ESG analyses, and 27 percent are thinking about acquiring the means to do so. Half of the respondents showed no interest in developing these capabilities.

For more detailed analysis of the current state of tax departments' technology-related priorities and challenges, see our special companion report *Inside tax functions today: Tax, technology and data*.

## Which statement best describes how your organisation currently leverages tax data and analytics tools for preparing ESG analyses?




**Note:** May not total 100% due to rounding.
**Source:** 2023 KPMG Global Tax Function Benchmarking Survey, KPMG International.

# Key takeaways:

- Design of a policy framework to govern the business's approach to tax and ESG seems to be a work in progress for many companies. About one-quarter of respondent companies have plans to strengthen their policies by improving their disclosures around risk tolerance and governance.
- While most companies seem to be aware of the impacts of tax on ESG goals, only one in five Chief Tax Officers said that tax is a significant consideration in their company's overall ESG initiatives and that the tax function plays a role in driving ESG strategy.
- Survey results suggest that a significant minority of companies have not moved very far in considering their approach to tax and ESG matters, which may put them at a disadvantage going forward. For example, one in five respondents has no ESG policy related to tax and no plans to create one. Half of the respondents do not leverage tax data and analytic tools to prepare ESG analyses and indicated they are not yet considering this.
- Among most companies, however, even though much remains to be done, work is underway to establish robust policy frameworks for tax and ESG. When asked to name their immediate top priority for ESG and tax, Chief Tax Officers most commonly ranked developing or updating their public tax strategy/policy, followed by improving tax governance and controls to ensure ESG goals are met.

# Contacts

**Paul O'Brien**

**Partner, Tax ESG Leader**
KPMG Ireland
**T**: +353877442172
**E**: paul.jp.obrien@kpmg.ie

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

**kpmg.com/socialmedia**



Designed by Evalueserve.

Publication name: Inside global tax functions — Special report: A focus on the social and governance pillars of ESG
Publication number: 138738-G
Publication date: September 2023