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Is tax transparency associated with a better ESG score?

An empiric look into the state of Tax transparency and ESG for OBX25

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SUMMARY

In this thesis, our primary goal is to examine the state of tax transparency, then identify the relationship between ESG score and tax transparency performance for the Norwegian companies that make up the OBX25 index. To accomplish this, we conduct a documentary analysis of all relevant organizational documents and sources to assess the tax transparency performance of each company while we extract ESG data from the Refinitiv database. The newly introduced tax standard, GRI 207, is operationalized by assigning numerical values for each disclosure if the content of the disclosures is covered in organizational sources. In addition, we explore measurements of company characteristics to examine potential factors that may contribute and explain the tax transparency performance.

Our findings show that the tax transparency performance for companies listed on the OBX25 index leaves a lot to be desired, with a relatively low compliance rate when an established framework for sustainability reporting, GRI 207, is utilized. This is evidenced by the average tax transparency performance of 22.6%. We find that companies that are larger, more profitable, and have a higher degree of public ownership, achieve the highest tax transparency performance. We also find evidence that tax transparency performance and ESG score is connected. When companies are sorted after tax transparency performance based on segments, our findings suggest that a better tax transparency performance is connected with a better ESG score. In addition, we find a low number of outliners in the sorting matrices, insinuating that most companies´ individual score does correspond with the ESG score.

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ABBREVIATIONS

Abbreviation	Full explanation
GRI	Global Reporting Initiative
CbCR	Country-by-country reporting
MNE	Multinational Enterprises
OECD	Organization for Economic Co-operation and Development
BEPS	Base Erosion and Profit Shifting
EU	European Union
PwC	PricewaterhouseCoopers
NBIM	Norwegian Bank Investment Management
EY	Ernst & Young
ESG	Environmental, Social, Governance
GSIA	Global Sustainable Investment Alliance
KPMG	Klynveld Peat Marwick Goerdeler
FTSE	Financial Times Stock Exchange Group
UK	United Kingdom
TTC	Tax Transparency Code
MIT	Massachusetts Institute of Technology
PRI	Principles for Responsible Investment
WEF	World Economic Forum
SDG	Sustainable Development Goals
WRDS	Wharton Research Data Services
EBITDA	Earnings before Interest, Taxes, Depreciation, and Amortization
ROA	Return On Assets
S&P	Standard and Poor’s
MSCI	Morgan Stanley Capital International
RACI	Responsibility, Accountability, Consultation, and Information

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1 INTRODUCTION

"*You can expect more activity in this area*".

These are the words of Nikolai Tangen, the CEO of the Norwegian sovereign wealth fund, after divesting in seven companies due to "*…aggressive tax planning and cases where companies do not give information of where, and how, they pay tax*"[1].

The broader investment community has grown fond of the disclosure of Environmental, Social, and Governance (ESG) data for its risk-assessing purposes, featuring prominently as a prerequisite for capital from sustainable and institutional-minded investors. Historically, investors have generally not issued similar expectations of the disclosure of tax-related information in a sustainable context. Nevertheless, the days of tax payments being a private concern between corporations and tax authorities are long gone. Societal expectations of tax contributions are rising in granularity, while investors are growing attentive to the importance of tax transparency to foster a sturdy and sustainable reputation with broader stakeholders. The recent risk-based divestment from the world's largest sovereign fund, on the premise of tax-related risk, articulates a clear set of expectations of transparency and an orderly management of tax obligations. On the other side, investors should resonate with the premise that aggressive tax practices may incur an additional investment risk, which is challenging to monitor and mitigate (Norges Bank Investment Management, 2017).

Multinational Enterprises (MNE) have long been accused of not paying their "*fair share*" of taxes through increasingly complex tax planning techniques. Through global operations, MNEs retain the ability to shift tax obligations to countries with liberal tax policies, contesting the very integrity and harmonization of the international tax system[2]. Amidst this concern, the need for public disclosure surrounding a company´s approach to tax, the total tax contributions, and to whom these payments are made to has grown to attract the interests of various stakeholders concerned about sustainable tax practices (Dalby et al., 2022).

Tax transparency initiatives rank high on the agenda for governmental policymakers as a technique to discourage aggressive tax planning and grapple with public indignation on tax

[1] This was said in a private interview with Reuters after NBIM, for the first time, pulled investments from companies because of their tax policies (Fouche, 2021).
[2] As has been showed with the release of Paradise Papers, Panama Papers, and Pandora Papers.

avoidance (IFAC, 2016). Tax transparency encompasses the disclosure and publication of initially private qualitative and quantitative tax-related information, ensuring its availability to all relevant stakeholders (GIFT, 2022). In recent years, a broad range of mandatory and voluntary tax transparency initiatives have surfaced worldwide, coinciding with its aim of fostering sustainable tax practices, incentivizing self-assessments of societal contribution through tax payments, and ensuring regulatory compliance.

Norwegian authorities have demonstrated a continued commitment to tax transparency through participation in several multilateral agreements for the exchange of tax-related information between tax authorities. Nevertheless, efforts have not been limited to ensure the availability of tax information to governmental authorities. As the first OECD country, Norway implemented the Extractive Industry Transparency Initiative (EITI), facilitating public transparency in tax payments for Norwegian companies engaged in the extractive industry by disclosing this information in available registries and the financial statements (The Norwegian Government, 2013).

While tax transparency has sustained the interest of the Norwegian government, it may not necessarily rank high on companies´ agenda, especially in the current economic climate, where high inflation and interest rates may cause financial strain. Yet, Norwegian companies have retained an international reputation as early adopters of ESG disclosures, consistently ranking amongst the highest percentile on sustainability indexes due to well-configurated and mature ESG frameworks (Singhania & Saini, 2022). While the addition of disclosing tax metrics in ESG reporting remains a relatively newfound concept, its value and utility have been recognized as a key metric for future and sustainable growth. As such, tax is becoming an increasingly essential component of a firm´s ESG agenda. On these grounds, Norway offers an ideal context to examine whether publicly listed firms embrace the topic of tax transparency in an ESG context.

This thesis examines the state of tax transparency amongst companies listed on the OBX25[3] index for the first part of 2022 and whether there is a connection between the ESG score and tax transparency performance. We operationalize GRIs newly published tax standard to accurately rank firms' qualitative and quantitative tax transparency scores to determine the overall tax transparency performance. By measuring to which extent publicly available tax-related information adheres to the content of these disclosures, a score is received based on full,

[3] The OBX25 index consists of the 25 most liquid companies on the Oslo stock exchange.

partial, or zero coverage. To examine the relationship between ESG and tax transparency, we construct sorting matrices arranging companies in relation to their ESG score and tax transparency performance. Findings suggest that larger and more profitable companies with a larger percentage of public ownership tend to achieve the highest tax transparency performance. In addition, we find evidence that a better tax transparency performance is connected with a better ESG score, which holds true for all individual letters and company segmentations.

2 INSTITUTIONAL SETTING

In this section, we provide an overview of the institutional setting for some of the most prominent tax transparency initiatives, their key characteristic, and the content of the disclosure. Next, we present an overview of voluntary tax transparency regimes and the role of ESG reporting in an institutional context. This provides the necessary context and foundation for our analysis of the relationship between tax transparency and ESG scores among companies listed on the OBX25 index.

2.1 TAX TRANSPARENCY INITIATIVES

Tax transparency initiatives aim to promote sustainable tax practices and address public concerns about tax avoidance. Tax disclosures can be defined as *"... the communication of initially private tax-related information by an issuer to one or several recipients, either on a mandatory or voluntary basis"* (Müller et al., 2020). Derived from this definition, disclosure can be distinguished across many different dimensions such as differences surrounding the issuing party, or the content of the disclosure.

Table 1 shows an overview of notable tax transparency initiatives, their zone of impact, content of the disclosure, requirements for applicability, and the entry to legislative force. Inspiration for this table is collated from (Müller et al. 2020) and Deloitte (2021).

Country / region	Legislative source	Content of the disclosure	Applicability	Entry	Classification
United Kingdom	Finance act 2016 (Schedule 19)	Requires disclosure of risk management and governance, tax planning, accepted level of risk, and approach to compliance with Her Majesty´s Revenue & Customs.	Applicable for MNE groups if (i) revenue streams are in the excess of £ 200 million, (ii) or assets (balance sheet) is more than £2 billion.	Financial years after 15 September 2016	**Mandatory tax strategy disclosure**
Australia	Voluntary tax transparency code (TCC)	*Part A* encourage disclosure of quantitative tax information. *Part B* maps their approach to tax strategy, both international and national tax affairs, as well as total tax contribution summary.	Encouraged that medium business adopt Part A while large business adopt Part A and Part B. *Medium* business has turnover over 100 million (AUD), but under 500 million, whereas *large* businesses exceed 500 million.	Financial year after 3 of May 2016	**Voluntary disclosure framework**
Membership Countries of the OECD or EU	OECD BEPS Action Plan 13 & EU non-public CbCR Council Directive 2016/881	Requires a Country-by-country report including aggregated information such as global allocation of income, profit, and taxes paid to different tax jurisdictions where operational activities are conducted.	Ultimate parent entity of a multinational enterprise group, if (i) the consolidated group revenue exceeds 750 million (EUR) for each of the last 2 fiscal years, or a resident entity if the parent fulfils (i), but not required to disclose due to residency outside of these zones.	Fiscal year after 1 January 2016	**Mandatory private CbCR disclosure**
EU Membership Countries	EU CbCR (yet to be implemented)	Requires a Country-by-country report including aggregated information about primary activities, revenues, profit and loss before tax, number of employees tax paid on income. Contextual information is required, such as subsidiaries and their location and fixed assets (other than cash or cash equivalents).	The ultimate parent entity of a multinational enterprise group, if (i) the consolidated group revenue exceeds 750 million (EUR) for each of the last 2 fiscal years. Medium and large EU subsidiaries or branches where the ultimate parent fulfilling (i) but is located outside of the EU.	*Yet to be implemented*	**Mandatory public CbCR disclosure**

Table 1 - Overview of tax transparency initiatives

For tax transparency initiatives issued by national authorities or a consortium of several nationalities, the ramifications usually entail a mandatory approach, with the Australian TTC serving as an exception. Moreover, the content of some of the significant initiatives differ across several core areas. The mandatory tax strategy disclosure, the UK finance act, requires disclosure of qualitative information, such as the approach to tax and governance. The non-public and the proposed public-CbCR, necessitates the disclosure of quantitative tax information which needs to be allocated by each tax jurisdiction. As portrayed by the proposed public CbCR, the direction of travel demands the need for additional contextual information, insinuating that examining qualitative and quantitative data in conjunction can facilitate

profound source material for analytical purposes. Furthermore, tax transparency initiatives have also evolved from their sole purpose of ensuring the availability of essential information to tax authorities[4] to include the interests of broader stakeholder. The interest of tax authorities and broader stakeholders do not always coincide, however, this will to a larger extent invite the role of public pressure.

2.1.1 Voluntary tax transparency regimes

Voluntary tax transparency regimes offer frameworks for companies to disclose their tax practices on a voluntary basis. Some of the most renowned voluntary regimes are Principles for Responsible Investment (PRI), World Economic Forum (WEF), the Dow Jones Sustainability Index, and Global Reporting Initiative. These regimes vary in their scope and focus, but typically coincide in addressing five key areas: (i) context, (ii) approach, (iii) key matters, (iv) data, and (v) assurance (Deloitte, 2021).

(i) *Context* incorporates the geographical and operational footprint; a high level of disclosure entails a well-illustrated explanation of crucial parts of the business and its value chain.

(ii) A high level of disclosure for *approach* entails specific disclosures for the approach to tax management and tax risks with particular attention to global tax strategy statements, tax engagement, and the connection between tax and sustainability.

(iii) *Key matters* disclosure requires industry or company-specific items and subjects. A high level of disclosure requires precise facets of the tax profile at the group level.

(iv) *Data* disclosures require quantitative data; a higher level of granularity suggests a higher level of disclosure.

(v) *Assurance* refers to the accessibility of external assurance of tax transparency reports, commonly associated with verifying the validity of the methodology utilized in a report.

[4] In this instance, the UK finance act also aimed to enhance the availability of information for external stakeholders as well as tax authorities.

Figure 1 shows an overview of the main voluntary tax transparency initiatives (Deloitte, 2021)

Figure 1 - Classification of different voluntary tax transparency regime

GRI scores high on expected disclosure, suggesting a high degree of specificity across several essential areas of tax transparency. Disclosures of qualitative information concerning governance and operational location, suggest a high disclosure quality for *context* and *approach*. Additionally, the country-by-country report (CbCR) in the quantitative section requires a high degree of granular *data* comparable to the public and non-public CbCR, highlighting GRIs high breadth of relevance. Its relevance is further illustrated through the GRI Application levels, allowing for self-assessments where reporting organizations can declare the degree to which the report adheres to the content of the disclosures, and clarify which elements from the framework have been applied. GRI also incentivizes external *assurance* by adding a "+" if the report is assured[5], which can communicate a commitment to incrementally increase the application level of the GRI framework over time and verify the accuracy of the self-assessment (GRI, 2012).

2.2 GRI

Global Reporting Initiative (GRI) was founded in 1997 as a reaction to the damages of the Exxon Valdez oil spill. It is an independent, non-profit institution with headquarters in Amsterdam. The aim of GRI is to promote responsibility, accountability, and instil a holistic approach to the potential consequences of one´s actions.

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[5] This would then be compiled of a self-declaration of the application level, and that this report is externally assured.

GRI standard has gained widespread recognition across various industries for its comprehensive set of performance indicators available for sustainability reporting and is considered the world's most widely used sustainability disclosure standards (Tarquinio, Raucci, & Benedetti, 2018). Accordingly, PwC estimates that more than 10,000 organizations in 100 countries are using GRI standards (Morris & Visser, 2022). Among the largest companies, KPMGs Sustainability report from 2020 indicates that 73% of the world's top 250 largest companies and 67% of the top 100 companies use GRI guidelines or standards.

2.2.1 GRI 207

In 2017, GRI started the work on "GRI 207: Tax" to match increasingly granular transparency expectations of corporations' social contributions. The standard was introduced in September 2019 and came into effect on 1 January 2021; as such, this standard has only been active for one fiscal year (Global Reporting Initiative, 2022). GRI 207 is regarded as a topic-specific standard within the GRI system in the *economic* subsection GRI 200. Hence, an organization devoted to utilizing the framework presented by GRI must define tax as a material topic. Non-financial ESG reporting, such as GRI 207, is still mostly voluntary, but many businesses are preparing for a time when these standards become legal requirements (Morris & Visser, 2022). This section provides a brief overview of the layout and the content of the disclosures presented by GRI 207.

Three different types of disclosures are presented in GRI 207: *requirements, recommendations, and guidance*. *Requirements* are mandatory instructions and are required to be followed if the reporting firm declares that a report has been prepared in accordance with the requirements, as asserted by GRI 101: Foundation (Global Reporting Initiative, 2022). *Recommendations* propose a course of action aligned with this standard´s intent; however, they are not to be regarded as mandatory. The *guidance* section seeks to assist the user in interpreting the requirements, such as providing the user with background information, examples, and explanations. It is highly encouraged to read requirements within the context laid out by the corresponding recommendation and guidance disclosures.

The disclosures presented in GRI 207 are structured as follows; (i) Disclosure 207-1, (ii) 207-2, and (iii) 207-3 are requirements that seek to extract information of a *qualitative* nature. On the other hand, (iv) Disclosure 207-4, *Country-by-country reporting*, requires information of a *quantitative* character. In addition, for each disclosure mentioned, there exists a corresponding set of guidance disclosures that provide further information and clarification.

GRI 207-1 provides requirements for the disclosure of the reporting organization´s approach to taxes. This information can provide valuable insights into the process by which organizations balance their business activities with the expectations of stakeholders regarding corporate social responsibilities. To score well on GRI 207-1, a company must have a publicly available tax strategy that is regularly reviewed by a designated group in the organization. The company must also disclose its approach to regulatory compliance and demonstrate how its approach to taxes aligns with its business objectives and the sustainable development goals.

GRI 207-2 contains requirements about the companies' tax governance, control, and risk management systems to reassure stakeholders that the reporting organization is actively monitoring their tax obligations. For example, concerning the content of the disclosure, the reporting organization shall provide the governance body within the organization which is accountable for the compliance with the tax strategy, how the approach to tax and tax risk is embedded within the organization, and how the approach to compliance is systemically evaluated. In addition, GRI 207 also requires a description of existing mechanisms to identify and raise concerns surrounding the reporting organization's integrity in relation to tax.

GRI 207-3 requires organizations to provide insight into their stakeholder engagement practices and how they manage tax-related concerns. This disclosure asserts the need for information about stakeholder and governmental engagement, and how this approach is embedded within the organization. Specific requirements include their approach to engagement with tax authorities and public policy advocacy on tax. The disclosure also has a requirement regarding the process for collecting and considering the views and concerns of broader stakeholders.

GRI 207-4, *the Country-by-country report*, requires information of economic, financial, and tax-related character for each tax jurisdiction where the reporting organization is resident for tax purposes. Matters such as the name of the resident entities and the primary activities of the organization are contextual requirements that assist in providing a geographical and operational context for each tax residency. In addition, the disclosure includes more challenging requirements to fulfil, such as the disclosure of revenues from intra-group transactions with other tax jurisdictions, information about tangible assets (other than cash and cash equivalents), and revenue from third-party sales for each jurisdiction.

GRI 101 3.2 "Reasons for Omission" offers guidance for when an organization can omit the usage of GRI standards. The organization must first describe the information that has been omitted and specify the reasons for omission. There are four applicable reasons for omissions:

(i) not applicable, (ii) confidentiality constraints, (iii) specific legal prohibitions, and (iv) information unavailable. To illustrate, Volkswagen has used GRI 207-1 and 207-2, while 207-3 is omitted due to the information not being available for the period under review and 207-4 because they consider it to be confidential information (Volkswagen, 2022).

2.3 ESG

Integrating Environmental, Social, and Governance considerations into an organization´s operational activities can be critical to sustainable development for modern companies. ESG encompasses the concepts of corporate social responsibility and social responsible investing, while the term traces its roots back to 2004. At the United Nations' invitation and the collaborative efforts of financial institutions, principal guidelines and recommendations were developed to enhance the integration of ESG factors in financial decision-making (The Global Compact, 2004). However, following its inception, institutional investors were reluctant to fully embrace the topic of ESG, inferring its fiduciary duty to maximise value for shareholders (Kell, 2018). Nevertheless, as new empirical evidence of economically derived benefits attributable to a higher ESG performance has emerged, the expectations and demand for more metrics of non-financial characteristics have risen exponentially.

On these grounds, companies are not only expected to achieve a high ESG performance to remain an attractive investment proposition, but they also have to articulate their sustainability efforts convincingly to all relevant stakeholders. Consequently, ESG and sustainability reporting has been regarded as a tool for increased transparency and has become a central topic that needs to be addressed in financial statements, quarterly reports, and investor presentations. The Governance & Accountability Institute affirms this notion in a newly published report. For instance, 86% of S&P 500 firms have published either sustainability or corporate responsibility reports. In comparison, only 20% of firms chose to do so in 2011 (Gillian, Koch, & Starks, 2021). To determine the quality of these efforts, many different ESG rating standards have surfaced. Notable ESG rating providers are listed, but not limited to, IW Financial, Sustainalytics, MSCI, Barra, and Refinitiv.

2.3.1 ESG score by Refinitiv

Refinitiv, formerly Thomas Reuters, is a comprehensive database that provides a reliable ESG rating of over 6,000 public global companies across more than 400 different ESG metrics (Refinitiv, 2022). It is recognized as one of the leading sources of real-time financial data in

sustainable finance and has been utilized in several empirical studies (Apergis & Antonopoulos, 2022; Brandon, Krueger, & Schmidt, 2021).

The rating framework consists of three equally weighted pillars: Environmental, Social, and Governance. To sufficiently deduct the company's score across these three pillars, information is gathered from more than 70 key performance indicators (KPI), drawn from more than 400 data points. In addition, each pillar includes various subcategories to further dissect the score for the corresponding pillar more accurately. For example, the Environmental pillar assesses a company´s impact on the environment, using metrics such as resource usage, emissions, and ability to innovate. The Social pillar focuses on the company's impact on the working environment, equality, and ability to balance its relationship with stakeholders and surrounding communities (Henisz, Koller, & Nuttall, 2019). Finally, the governance pillar evaluates the company´s tax strategy, the distribution of rights and responsibilities concerning the decision-making within the firm, and risk management. The primary source of information is gathered by processing numerous sources of publicly available data (Refinitiv, 2022).

The number of ESG agency providers is numerous, and their strategic approaches as ESG framework providers also vary. Li & Polychronopoulos (2020) propose a categorization of ESG data framework provider, firstly, (i) the *specialist*, which aims to provide in-depth and highly contextualized data coverage in a few segments of ESG, second, (ii) the *comprehensive* provider supply a comprehensive coverage of all ESG segments by combining objective and subjective data, and lastly, (iii) *Fundamental* providers are broad, objective and rely on voluntary self-reported ESG data. Refinitiv ranks in the *fundamental* category.

2.3.2 ESG rating weaknesses

Amidst the increased utilization and importance of ESG frameworks, several of the major rating agencies have attained increasing financial influence as managers, investors, and broader shareholders rely more heavily on the data provided to utilize for strategic decision-making. However, as the number of ESG providers is found to rapidly increase (Brackley et al., 2022), some fundamental problems have surfaced that need to be addressed.

For example, ESG ratings may vary widely depending on the theoretical framework firms choose to utilize. Different rating providers seek to differentiate their products, which results in a unique methodology for which they assign company-specific ratings (Li & Polychronopoulos, 2020; Negro, T. Hannan, & Rao, 2011). These variations can compound into significant differences between ESG scores assigned from different providers. For example, a firm may be

ranked amongst the higher percentile in one score but relatively low in another. This relationship is further illustrated in the case of the American bank Wells Fargo, which received a score of 0.84 from one provider and 0.31 from another for its overall ESG score. When examining these differences in more detail, in the category of *Governance*, the company mentioned above achieved a score of 0.7 from the first provider while only scoring 0.03 from the second provider (Li & Polychronopoulos, 2020).

Finally, research suggests a firm size bias while utilizing the measurements of corporate sustainability performance in Refinitivs´ ASSET4 database. Findings indicate a significant positive correlation between the stated variables, which consists of the influence of firm size measured by market capitalization, available resources for publishing their ESG data, and lastly, the availability of a company´s ESG data with regards to the sustainability performance (Drempetic, Klein, & Zwergel, 2020). The findings suggest that ESG rating processes may favour larger corporations with more resources available.

3 Literature Review

Several studies examine ESG performance: for instance, to evaluate ESG performance and its impact on financial performance. Velte (2017) found that ESG performance in the period of 2010-2014 had a positive correlation with *ROA* (return on assets) for companies listed on the German Prime Standard (DAX30) but no significant impact on the market-based variable of financial performance through Tobin´s Q formula. Further, Ahmad et al. (2021) examine ESG performance and its impact on the financial performance of FTSE350 UK firms by utilizing static and dynamic panel data analysis techniques. Results suggest a significant positive effect on the total ESG score and the firm´s financial performance. Additionally, while accounting for firms categorized as high or low ESG performers, results found that the financial performance of high ESG firms exceeded the performance of low ESG-rated firms (Ahmad et al., 2021). Further, *firm size*, proxied by the firm´s total assets, was identified as a moderating variable between ESG and financial performance, suggesting that larger firms have greater acquaintance and capacity to participate in these activities. In a study of European companies, Sassen et al. (2016) found that incorporating ESG factors into corporate strategies can reduce a firm´s financial risk. Their research showed that this reduced observed volatility of the firm´s stock in the capital market, indicating increased shareholder value. Moreover, the *Social* performance of the firm was found to be the most significant factor in reducing firm risk, which largely can

be attributed to *external* measures of social performance, such as external reputation and engagement with broader shareholders.

Additionally, several studies examine the relationship between ESG performance and tax aggressiveness to determine if engagement in socially responsible activities affects the firms´ propensity to tax avoidance. For example, one study of Korean-listed firms between 2011-2017 found a significantly negative relationship between ESG scores and tax avoidance [6]. Furthermore, the *Social* score was identified to be the most significant contributor to the negative relationship across the sample size. In contrast, *Environmental* and *Governance* scores did not exhibit any significant negative relationship (Yoon, Lee, & Cho, 2021). This suggests that companies with a higher social reputation, as implied by a high Social score, are less likely to engage in tax avoidance schemes as it could seriously harm their social reputation if discovered. A study of French publicly listed firms found that a higher score in the *Social* dimension of CSR resulted in a lower level of tax aggressiveness. Oppositely, a higher score in the *Economic* dimension of CSR resulted in a higher tax aggressiveness score. These findings indicate that promises of ethical considerations and responsible tax behaviour may not be reflected in the organizational procedures geared at enhancing profits through tax planning (Laguir, Staglianò, & Elbaz, 2015).

Some research draws inspiration from GRI in their methodology to extract sustainable key performance indicators (KPI) for sustainability reporting standards. One study extracts sustainable KPIs from several GRI standards across all three subsections: Environment, Social, and Economic. Subsequently, these KPIs are then linked to a corresponding Sustainable Development Goal (SDG), with the aim of mapping SDG contribution for European car manufacturers. The findings suggest that some of the most important disclosures are not properly reported, which can be attributed to the lack of quality and frequency of appearance in these reports. Further, while some KPIs are generally regarded as well-reported for car manufacturers, most notably appearing in the *Environmental* section, there is generally a lack of disclosure of their metrics when quantitative information is necessary (Perello-Marin & Rodriguez-Rodriguez, 2022).

Another study compounded a similar methodology, utilizing GRI disclosures to excerpt KPIs based on a selection of 23 sustainability reports[7] from firms in the mining and energy sectors

[6] Proxied by BTD (book to tax difference) which is the difference between net income and taxable income.
[7] All reports declared an application level of A or A+ from GRI. An A entails a high degree of coverage of related disclosures, whereas A "+" is received if external assurance was utilized for the report.

to examine if these convey an idealized perspective of the firms´ circumstances. Contrary to the GRI report´s guiding principles of fairness, transparency, and completeness, findings suggest that over 90% of significant negative events were found to be omitted in these reports (Boiral, 2013). Additionally, if references were made to negative events, as required by GRI indicators, its presence was consciously distorted or vaguely portrayed in a relatively short passage. A lack of accurate and contextual information is insufficient to describe adverse events, suggesting that disclosed information decouples from real-life implications of operational activities. Conversely, these short passages were often uncovered in longer sections with well-illustrated presentations of sustainable pledges, practices, and initiatives, thus diluting their impactfulness (Boiral, 2013).

In the context of transparency, Kerr (2018) examined the effect of corporate transparency on corporate tax avoidance activities through a cross-country sample, measuring transparency aggregated at the firm and country levels[8]. Findings suggest an incremental effect; as the country level transparency scores increase, the tax avoidance score calculated at the firm level decreases according to the firm-level transparency score. Hence, greater transparency can result in lower tax avoidance, an association that holds for both levels of measurement (Kerr, 2018). Another study approaches the topic of transparency by examining how *mandatory* public country-by-country reporting impacts financial reporting on geographic segmentation, as required for European Union banks after the Capital Requirements Directive (CRD IV). The mandatory public CbCR was found to provide no additional changes in the number of geographic segmentation, country segmentation, or the number of lines per geographic segment for each corresponding item. Further, a positive correlation is established between tax heaven intensity and geographical segmentation, consistent with the presumption that organizations might utilize strategic aggregation to obscure information concerning operational activities and economic presence in tax havens (Brown et al., 2019; Akamah, et al., 2018).

While there is a lack of literature on tax transparency and ESG performance, one study approaches the subject of tax transparency by investigating whether the mandated *qualitative* tax disclosure, presented in the UK finance act, succeeded in achieving greater availability of tax-related information to the public and reducing tax avoidance. Bilicka et al. (2021) found that the volume and length of tax strategy disclosure published by treated firms increased after

[8] Firm-level transparency is measured through measures of information uncertainty, information asymmetry, financial reporting quality derived from indexes, whereas country-level is proxied by indexes of corporate governance, disclosure requirements, media penetration and adoption of IFRS (mandatory) (Kerr, 2018).

the implementation of the mandated qualitative disclosure. However, the quality[9] of the published information remained unchanged. Furthermore, because *qualitative* requirements are harder to verify (She, 2021), firms may supply unsupported disclosure to satisfy perceived stakeholder expectations. Accordingly, information derived from the tax strategy report was categorized as broad, generalized, and with a shortfall of substance, showing a lack of understanding or restrained approach to embracing the intent of the legislation (Bilicka et al., 2021). One possible explanation is that full transparency might imply a significant time and resource commitment and disclosing sensitive information may hinder the firm´s competitiveness amongst its competitors (Balakrishnan, L. Blouin, & R. Guay, 2019; KPMG, 2022). Bilicka et al. (2021) argue that an increase in the volume of tax strategy disclosure without corresponding changes in behaviour can provide insurance against public scrutiny without the need to reconcile the qualitative mandate disclosure with real underlying activities of a more quantitative character. Finally, while controlling for the potential effect that public pressure might impose on firm behaviour (Belnap, 2020), findings suggest that firms subject to a high degree of public attention already see the necessity to disclose their tax position to match the expectations of stakeholders without the need of a disclosure mandate.

4 METHODOLOGY

The methodology section provides an overview of our empirical approach to the research question. We first discuss our approach concerning the extraction of the ESG scores, followed by a discussion of how we operationalized GRI 207 disclosures and calculate tax transparency performance. Next, we address potential weaknesses in our methodology and the measures implemented to address these weaknesses. Finally, we conclude this section by extracting various examples of how we scored companies´ tax transparency performance.

4.1 ESG SCORE

The ESG score for each company, as well as their individual score for each category in the Environmental, Social and Governance dimensions, were extracted from the Refinitiv database on the 26th of September 2022. The ESG scores for Kahoot! and MPC Container could not be obtained from Refinitiv. Therefore, the database RepRisk, at Wharton Research Data Services (WRDS), was utilized to examine if other databases could provide better coverage for OBX25

[9] The topic of quality is measured by two proxies: (i) the specificity, measured through Named Entity Recognition, and (ii) the inclusion of quantitative information by computing the numbers included in the text.

listed firms or offer partial coverage of missing firms. However, while exploring this database, we noticed that only 18 of 25 companies in our sample size had an ESG score. Between Refinitiv and RepRisk, we also identified large discrepancies between the methodology for scoring, consistent with findings presented by Li & Polychronopoulos (2020). As a result, we determined that Refinitiv offered the best coverage among the available databases. At the same time, the large disparities in scores would entail low suitability for using both databases in conjunction. Therefore, the missing companies will be included when presenting the data for tax transparency performance while excluded from the ESG and tax transparency analysis section.

4.2 TAX TRANSPARENCY PERFORMANCE

Tax transparency performance is measured through a framework based on criteria derived from the non-financial reporting standard GRI 207. This standard offers no guidance on how the underlying reporting quality should be determined. Nevertheless, the topic of quality in sustainability reporting is generally approached through rating information on a scale depending on adherence to the content of the disclosures or based on less sophisticated means, such as whether the information is disclosed or not (Ali et al., 2021). Using a scale is deemed to be the best approach to foster reliability, as the vast array of available data sources and the subjectivity in scoring would imply low suitability for a binary approach, thus weakening the replicability of our findings.

Assigning numerical values to the degree to which tax-related information adheres to disclosures and how these disclosures and their assigned value accurately measure tax transparency requires careful consideration of construct validity. However, several previous studies have conducted similar transformation to operationalize indicators derived from other GRI standards within the *Economic* and *Social* topic-specific standards (Kolsi, Ananzeh, & Awawdeh, 2021; Ali et al., 2021). Concerning the topic of tax transparency, inspiration could be drawn from the scoring systems presented by KPMGs (2022) or Quinteiro & Thuuri (2022), with the latter being a master thesis. Since this thesis wishes to synthesize with previous research within the Nordic region, fostering reliability and replicability through utilizing a similar methodology was deemed to be essential in the absence of an accepted standardized approach (Golafshani, 2003). Therefore, the scoring system utilized to quantify tax transparency performance draws inspiration from KPMG (2022), which we will explain in more detail in the following.

Table 2 provides an overview of disclosures, the maximum achievable score, and the range of scale for scoring.

	Disclosures	**Type**	**Scale**	**Maximum Score**
Qualitative	207-1 *"Approach to tax"*	*Requirement*	[0, 0.5, 1]	4
	207-2 *"Tax governance, control, and risk management"*	*Requirement*	[0, 0.5, 1]	6
	207-3 *"Stakeholder engagement and management of concerns related to tax"*	*Requirement*	[0, 0.5, 1]	3
Quantitative	207-4 *"Country-by-country reporting"*	*Requirement*	[0, 0.5, 1]	12
	207-4 *"Reporting recommendations"*	*Recommendation*	[0, 0.25, 0.5]	3

Table 2 - Overview of GRI 207 disclosures.

GRI 207-1 to GRI 207-3 are qualitative measures consisting of 13 individual disclosures with the following distribution: GRI 207-1 has four disclosures, GRI 207-2 has six, and GRI 207-3 has three disclosures. For each disclosure, a scale has been utilized to score the degree of fulfilment accurately. Full coverage of the relevant disclosure is scored as 1, partial coverage is scored as 0.5, whereas no coverage, or coverage regarded as insufficient, will be scored as 0. As a result, the maximum score achievable for the qualitative section would be a score of 13. The results will be presented as a percentage of 13, meaning that if a company achieves a score of 6.5 points, its qualitative tax transparency performance will be 50%.

The quantitative requirements for tax transparency performance, GRI 207-4, consists of 12 requirements and six recommendations. The requirements within this section follow the same weighting as the qualitative section, but the recommendations will be scored differently since they are not regarded as mandatory. Hence, a score between 0, 0.25, or 0.5 is given according to the degree of coverage for recommendations. Accordingly, the maximum achievable score would amount to 15 (12+3) points for the quantitative section.

The combined tax transparency score is used to measure the *tax transparency performance* of the company. The calculation is based on the weighted average of the maximal achievable points for the qualitative and quantitative sections. For example, the maximum score for qualitative disclosures is 13 points, while the maximum for quantitative disclosures is 15. To illustrate, if a company receives three points from qualitative disclosures and two points from quantitative disclosures, the total tax transparency performance is five out of 28 potential points, which is equivalent to 17.8%.

The information for this study was extracted from the company's annual reports, sustainability reports, websites, tax documents, and other official information in the period from September 1st to September the 30th, 2022. As the scores have been derived during a short time interval, we may run into time errors which imply that the time in which our observations are made may be atypical regarding the period we are interested in (Saunders, Lewis, & Thornhill, 2019). Accordingly, some data sources, such as financial statements, are systematically published around the same time. In contrast, other sources, such as tax strategy documents, may lack the same predictability. Therefore, documents published outside this time interval will not entail a new scoring of the company.

4.3 Company selection

We have decided to analyse the companies listed on the OBX25 index in Norway. This is an index of the 25 most traded companies on the Oslo stock exchange. We will use the OBX list for the first half of 2022. These 25 companies are at closing on the 2nd of December, currently 79.56% of the market capitalization on OSEBX, and 65.62% of all publicly listed companies in Norway, according to Refinitiv (2022). Listed companies will likely have the highest investor demand to disclose their tax contributions and publish a tax strategy. As a result, we can examine the tax transparency performance of the information provided in organizational documents, which are available to all relevant stakeholders. Companies are categorised into six sectors[10] based on operational activity, which follows the same classification as KPMG but with some adjustments. The sectors of *Tech* and *communication* are combined, whereas the company Scatec, a renewable power producer, is changed from *utilities* to *energy*.

Further, all domestic publicly listed companies in Norway are required to publish their financial statement in accordance with International Financial Reporting Standards (IFRS), which provides a standardized approach to one of our core sources of data collecting (IFRS, 2022). This can strengthen the reliability of this study as certain topics or layouts could be recurring. Further, Country-by-country reporting, GRI 207-4, primarily seeks to provide information from all tax jurisdictions in which the organization is resident for tax purposes. By using the OBX25 listed companies, we do not have any relatively small companies in our sample that may only conduct their business activities domestically. The advantage of having a small sample size is that we can analyse each company in detail while drawing data points from many different

[10] The industrial sectors are as follows: industrials, energy, financial, tech and communication, materials, and consumers. A full classification for each company the corresponding sector can be found in the appendix.

organizational sources. Subsequently, we reduce the chance of missing essential information. However, there is still a chance that some information could be overlooked, but likely less than if we had used textual recognition tools.

4.3.1 Company characteristics

We provide additional fundamental company characteristics to better portray financial and operational circumstances. The fundamental characteristics we have utilized are *return on assets* (ROA), *Company size*, *EBITDA margin*, *cash effective tax rate*, *GAAP effective tax rate*, and *public ownership*. All of these characteristics are calculated based on the last fiscal year, with the exception of ROA, which is calculated as the average of the last five years. This allows us to capture a more complete picture of the company´s financial performance.

Return on assets is a measurement of financial performance that estimates the relative profitability of a company through its available assets. ROA can be defined as pre-tax income divided by total assets. A higher *ROA* indicates a strong ability to generate returns on assets (Rahmawati & Sudaryono, 2022). Similarly, *EBITDA margin* is a measure of operational efficiency defined as earnings before interest, depreciation amortization, or EBITDA, as a percentage of revenue. *Company size*, in this instance, is defined as the book value of total assets, whereas *public ownership*[11] refers to the percentage of stock ownership of governmental or non-profitable organizations.

Cash effective tax rate is a measurement often utilized to examine tax aggressiveness since it reflects deferral of cash tax payments. It is defined as ratio current cash outflow (TXPD), divided by pre-tax book income (PI); hence we get $Cash\ ETR = \frac{TXPD}{PI}$. Additionally, *GAAP effective tax rate* incorporates current and deferred tax, measured as the ratio of total tax expenses divided by pre-tax book income; $GAAP\ ETR = \frac{TXT}{PI}$. The tax ramifications of discrepancies between book and tax accrual accounting are reflected in deferred tax expenses (Armstrong, Blouin, & Larcker, 2012).

[11] Public ownership is extracted from annual reports (2021). Folketrygdfondet, governmental departments and Gjensidigestiftelsen (non-profit organization) is also defined as public ownership.

Information is extracted from the Compustat database on the 10th of October 2022. Taxes paid were not available for some of the firm, hence these have been collected manually from financial statements. Company size is given in millions.

	ROA	***Cash ETR***	***GAAP ETR***	***EBITDA-margin***	***Public ownership***	***company size***
Mean average	6.1 %	12.5 %	20.9 %	21.3 %	16.5 %	189,553
Max	23.6 %	67.0 %	72.8 %	77.8 %	70.4 %	2,919,244
Min	-18.7 %	-15.6 %	-71.1 %	-63.4 %	0.0 %	295
25% Quartile	0.3 %	0.0 %	1.0 %	6.9 %	3.8 %	4,117
Median	7.0 %	7.3 %	21.2 %	19.0 %	6.7 %	17,272
75% Quartile	13.4 %	21.8 %	33.6 %	42.7 %	9.6 %	77,888
Standard deviation	10.2 %	18.9 %	29.4 %	32.2 %	21.9 %	590,273

Table 3 - Company characteristics

We find that across our sample section, we get a mean (median) GAAP ETR of 20.9% (21.2%) and a cash ETR of 12.5% (7.3%)[12]. GAAP ETR is under the Norwegian statuary tax rate of 22%, which suggests some inclusion of operating book income which will never be recognized as taxable income. Further, the *Cash ETR* implies that operating income before tax and taxes paid is not perfectly proportional[13].

Regarding profitability, we see a significant spread in our sample section; *ROA* varies from 23.6% to – 18.7%, while *EBITDA margin* varies from 77.8% to – 63.4%. Additionally, the same relationship holds true for both profitability measures for the 25% quartile and 75% quartile sections, suggesting a significant discrepancy in average profitability over the last five years and profitability last fiscal year.

Likewise, the degree of *public ownership* also varies from companies with zero governmental ownership, such as REC and NEL, to companies such as Equinor and Telenor, which has 70.4%

[12] Neither *Cash ETR* nor *GAAP ETR* is subject to winsorizing or limited to fall between the interval $x \in [0,1]$. Consequently, outliners will affect the ETR.

[13] Numerous reasons can attribute to these observed differences such as incurring non-taxable income, temporary book differences, the accrual of expenses which are non-deductible, and tax avoidance schemes (Edwards, Kubata, & Shevlin, 2020).

and 58.3% public ownership, respectively. Accordingly, the median for this characteristic is 6.7%, which broadly insinuates that public ownership is present and accounts for a noticeable share of ownership in OBX25 listed firms. The decision to use ROA over a five-year period and the EBITDA margin for the last year was because GRI 207 has only been in place for the last fiscal year. This allowed for a comparison of long-term and short-term profitability.

Four companies from our sample size are registered in a foreign country, while the rest are registered in Norway. Autostore, Frontline, and Golden Ocean are registered in Bermuda, while Subsea 7 is registered in Luxembourg.

4.4 CHALLENGES WITH THIS RESEARCH DESIGN

In the following section, some identified challenges with our research design will be provided with an explanation of how we mitigated these. The score for each company and disclosure are provided in the appendix to ensure transparency.

Documentary research facilitates capitalization of the broader spectre of available data sources. However, documents, or source material, are largely published to fulfil other purposes rather than compliance with GRI 207 disclosures. Accordingly, only three of 25 companies from our sample size, Norsk Hydro, Aker BP & Yara, clearly stated that their report was prepared in accordance with GRI 207. Further, data is mainly retrieved from organizational sources, which entails particular attention to the degree of inclusion or omittance of relevant information and the reason for why some firms might emphasize certain facts while other aspects are neglected the same degree of attention (Prior, 2004). As a result, *research bias* and *research error* were identified as one of our main topics of concern regarding reliability, particularly related to our manual approach, and the subjectivity when determining the score for each disclosure. To mitigate this, our strategic approach to the topic is provided in the following:

(i) For each individual disclosure and company, a reason for the score is given, as well as a quick reference to where this information was found and what it portrays, to enhance the accuracy of our scoring.
(ii) Uncertainty in scoring for a particular company was solved by the other participant scoring the same company without knowing the initial score for each disclosure. If discrepancies in scores were found, a discussion would follow to ensure our understanding of both the content of the disclosure and the source material aligned.

(iii) If subjective topics were found to be recurring when scoring, a list containing our historical approach to this topic was utilized to ensure consistency in rating across the sample size, thus reducing the probability of research error and bias.
(iv) Our supervisors provided necessary insight concerning the interpretation of the content of the disclosures.
(v) Lastly, we found it best to approach the topic of scoring sequentially since the approach, the information present, and the reporting techniques were found to differ when assessing the qualitative and quantitative tax transparency scores.
(vi) After all companies were scored, we returned to the first companies we had scored to see whether our scoring had adjusted throughout the period.

In addition, this thesis examines the companies listed on OBX25. This index consists of companies that are varying from very small to large in size from a global perspective. Continuing, the government is also a major shareholder in several companies through departments or funds, which is unusual in other countries. Finally, the index has a much higher percentage of companies related to oil, gas, and energy compared to indexes such as S&P500 or MSCI World IDX. It is difficult to say to what extent our results are transferable to other parts of the world. Nevertheless, the thesis should serve as a reference for the state of tax transparency for OBX25 listed companies. Further, companies listed outside the Nordic region may have contrasting views on tax and tax transparency and therefore score quite differently than the companies we have analysed.

4.5 EXAMPLES OF SCORING

This section will clarify our methodology when assessing tax transparency performance. We have chosen to include both qualitative and quantitative requirements. In addition, we have diversified our choice of examples based on different characteristics attributed to the corresponding disclosure.

First, we introduce a high frequency scoring disclosure in the qualitative section, disclosure 207-1, a) (ii):

"The governance body or executive-level position within the organization that formally reviews and approves the tax strategy, and the frequency of this review."

Storebrand was deemed to provide full coverage because they mention the governance body responsible for reviewing and approving the groups tax strategy and the frequency of this review. On the other hand, Hydro only mentions the governance body responsible for approving and reviewing the content of the tax policy. However, they do not disclose the frequency of this review, thus achieving a score of 0.5.

Full coverage

The tax policy and principles stated below applies to the Group and are reviewed annually by the Board of Storebrand ASA, most recently in January 2022. The Group tax policy and principles set out the approach to manage tax risk and compliance with tax obligations.

Figure 2 - Extract from Storebrand

Partial coverage

Hydro's Board of Directors is responsible for approving this policy and further develop it in collaboration with the Corporate Management Board, Hydro's Group Tax Function and other relevant stakeholders.

Figure 3 - Extracted from Hydro

Further, we draw attention to disclosure 207-2, a) (iii):

"A description of the tax governance and control framework, including: [...] *the approach to tax risks, including how risks are identified, managed and monitored."*

Across our sample size, we note significant differences in how the reporting organization has decided to convey the topic of risk management. For example, many assert the importance of managing and monitoring their tax risk and appetite; however, only a few companies discussed how these risks were identified. Mowi is an example of the former. Mowi identifies that the group is exposed to risks related to *"... potentially adverse changes in the tax regimes in which we operate…",* additionally informing that *"*[...] *we may become involved in legal disputes"* (Mowi, 2021). However, no information is given to enhance stakeholders' knowledge of how risks are identified and adequately mitigated. Hence the content is not sufficient to achieve a full score. Comparatively, Equinor is an example of a company that does provide full coverage for the content in this disclosure. Equinor thoroughly explains how tax risks are identified; for instance, by referring to an internal Tax Risk Control Framework based on a portfolio approach to assess the risk from operations across different jurisdictions. Additionally, a Tax Governance Manual is provided where they verify that a "RACI" framework (Responsibility, Accountability, Consultation, and Information sharing) is utilized to manage tax matters across the value chain (Equinor, 2021).

Another example of scoring is derived from disclosure 207-3, a) (i), which requires information about the approach to engagement with tax authorities. The guidance provided suggest that the reporting organization can seek real-time audit, pursue clearance for all significant transactions, and engage on tax risks to fulfil this requirement. This disclosure implied some degree of subjectivity as the approach to engagement with tax authorities was challenging to measure accurately. While most companies touched on this topic, we found that for many, the quality and attention to detail did not match the content of the guidance. Subsequently, we established a high threshold when estimating if the reported information adhered to the content of the disclosure. Equinor approach this by engaging in discussions with relevant tax authorities if uncertainties or tax disputes arise, offering full disclosure and transparency for all transactions to the relevant tax authority, and participating in co-operative arrangements (Equinor, 2021). Based on this, Equinor receives a full score for 207-3, a) (i). Comparatively, DNB provided partial coverage for this disclosure. DNB describes that they aim to be cooperative, open, and honest while providing *"... sufficient and clear information in tax returns and in our response to enquiries from tax authorities"* (DNB, 2022). However, while the intent is defined, the approach to engagement with tax authorities lacks accuracy and directness. The approach would be more clearly depicted if references were made to specific measures or initiatives.

Lastly, we will direct focus to our approach to some of the quantitative disclosures found in the Country-by-country section, namely disclosures 207-4, a), 207-4, b) (i), and (ii). Some companies had published their own CbCR, which did provide full coverage for all tax jurisdictions where the entities are resident for tax purposes, as required by 207-4, a). Yara is a good example for imitation; providing a Country-by-country breakdown for each resident entity categorized by their name, primary activity, and the number of employees. On these grounds, Yara achieved a score of 1 for several of the quantitative disclosures. Tomra, particularly renowned for their stance on sustainability issues and recycling machines, also states the name of the resident entities and the corresponding tax jurisdiction, thus achieving a full score for disclosure 207-4, a) and 207-4, b) (i). However, the primary activity for each resident entity is omitted, resulting in a score of 0 for 207-4, b) (ii).

Further, Orkla is a good example to highlight how we differentiated between full coverage and partial coverage for these disclosures. Orkla provides a breakdown in a Country-by-country format, but they only list countries where they perform their main operational activities. Thus, for some regional zones like the Baltics, an aggregated format is utilized to convey the scope of business scale and operational activity across multiple countries. While they provide

information for some entities that would entail full coverage for some of the disclosures discussed in this paragraph, they also break the clause asserting that this must be done for all tax jurisdictions where entities are resident for tax purposes (207-4, a)). As such, Orkla achieved a score of 0.5.

5 Results & Analysis

This section will provide an overview of our findings concerning the state of tax transparency for OBX25 companies. We have divided our empirical findings into sections which start with the combined qualitative and quantitative tax transparency performance, before we go into each of the four GRI disclosures to see the characteristics of each. Next, we will analyse the connection between tax transparency and ESG. Finally, in the last section, we will discuss the characteristics of companies that score well and companies that perform poorly on tax transparency.

5.1 Tax transparency performance

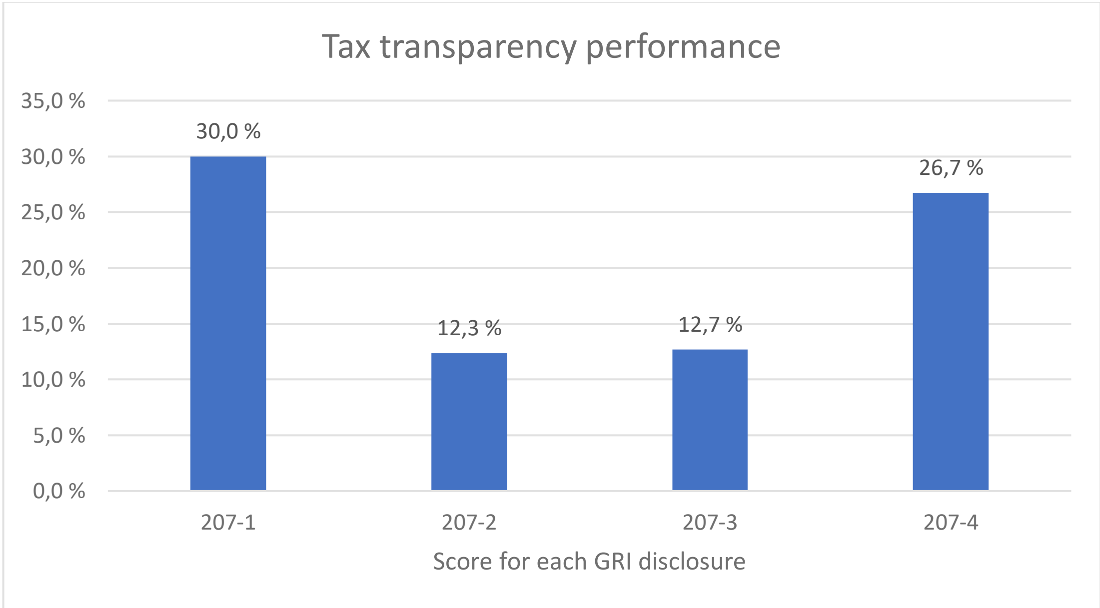

Figure 4 - Each GRI 207 disclosure performance.

For our sample of OBX25 listed companies, we get an average tax transparency score of 22.6%, signifying a relatively low compliance rate when an established framework is utilized. The average combined tax transparency score for the eight companies that published separate tax

documents is 43.1%. In comparison, the average score for the 17 companies that do not have a separate tax document is 13.0%. The following sections will provide a breakdown of the score composition for each individual disclosure.

5.1.1 GRI 207-1 "Approach to tax"

Disclosure 207-1 is the highest scoring disclosure, with a total score of 30%. Interestingly, many companies that achieved a high degree of coverage had published separate tax documents such as tax policy, group tax policy, and one tax transparency document. On the other hand, 13 companies were deemed to provide either insufficient or zero coverage for all disclosures in 207-1. In addition, the availability and presence of a tax strategy (30%) and the governance body (21.7%), account for 51.7% of the average score, whereas 207-1, a) (iv) only contributes to around 13.3%. The highest contributing disclosure is the approach to engagement with tax authorities (35%). Nine of 25 companies state a general intent to comply with the spirit of the law, thus providing full coverage of the content in the guidance. Concerning the preceding, we generally note some overlap with the content required concerning the UK finance act (2016). One notable exception is how the approach to tax is linked to business and sustainable development strategies. One explanation could be that some companies anticipate stakeholder expectations or the potential of regulatory changes, which could explain the relatively low score for the disclosure with the least perceived overlap[14]. In addition, we note that out of the 30% average score for 207-1, 72.2% of the score is derived from separate tax strategy documents, with a significant proportion achieving full coverage (82%) in contrast to partial coverage (18%). The remaining 27.8% is found in the financial statement with a 50/50 split between full and partial coverage. For OBX25 listed firms, separate tax documents remain the most effective reporting technique to accurately communicate the approach to tax, ensuring *quality* and *frequency*, as evidenced by the percentage of full coverage. This can be anticipated since publishing a separate tax document enables the reporting organization to highlight how tax is closely linked to critical elements of the value chain. In contrast, financial statements mainly encompass a broader view.

5.1.2 GRI 207-2 "Tax governance, control and risk management"

Regarding disclosure 207-2, the overarching background for this requirement rest on internal governance concerns for tax-related conducts, such as how the approach to tax concerns is

[14] It should also be noted that some companies in our sample size may be subject to the requirements presented by the UK finance act due to subsidiaries or branches of the organization meeting the threshold presented in *table 1*.

embedded within the organization and if conveyed statements are reflected in organizational practices. This section achieved the lowest score across all sections, with an average of 12.33%, while 17 companies scored zero. In addition, we find that 9.7 % of the average score in 207-2 stems from separate tax documents, whereas financial statements (2.3%) and sustainability reports (0.3%) stand for a smaller segment. Similarly, to the relationship found for disclosure 207-1, two out of six total disclosures, the governance body (32%) and the approach to tax risk (30%), account for 62% of the score. The governance body overseeing the tax strategy is valuable information for shareholders, which might explain why these are more frequently reported. The utility of this information can be to allocate accountability and determine the operational performance of the leadership, whereas insight into risk management is essential to determine the effectiveness of the approach to tax risks. Interestingly, all instances of full coverage for these disclosures were collated from separate tax documents.

Consistent with Perello-Marin & Rodriguez-Rodriguez (2022), we find that prominent disclosures are not properly reported due to a lack of reference to systems, actions, or control frameworks. Notable examples are how the approach to tax is embedded within the organization (8%), the approach to evaluating the tax governance and control framework (6%), and mechanisms to raise concerns about business conduct and integrity in relation to tax (8%). Only six unique companies achieved a score for these disclosures. One plausible explanation for the lack of description of internal tax governance arrangements could be that these measurements are not implemented. Nevertheless, it´s not outside the realm of possibilities that governance measures or mechanisms exists but are designed to be multipurpose and handle all forms of whistleblowing. However, these initiatives have not been mentioned or connected to the topic of tax. Possibly, it may be regarded as an internal matter, hence unsuitable to match the generally positive outlook in organizational sources.

5.1.3 GRI 207-3 "Stakeholder engagement and management of concerns related to tax"

The overall score for this disclosure equates to 12.67%, which is nearly entirely composed of the approach to tax engagement (57.9%), and public policy advocacy on tax (31.6%), with 15 companies receiving a score of zero for all disclosures. Conversely, based on the companies that scored, transparency is primarily centred toward engagement with governmental authorities and public policy advocacy. This is an interesting finding since shareholders and stakeholders are recurringly articulated as the main addressee in different sections of the financial statements, which is evident through formulations such as "*Dear stakeholders…*", or state general intent to

"*…inform internal and external stakeholders…*"[15]. In contrast, the approach to collating shareholders´ views and concerns, including external shareholders, only accounts for 10.5% of the score for 207-3, with only two companies achieving a score. Concerning the former, the lack of score can primarily be attributed to the fact that a frequently observed reporting technique was to dedicate a small and general section to describe the importance of shareholders without reconciling shareholder engagement or pledges to different material topics.

The firm's public reputation and position of credibility may be affected by the approach to engagement with this group, whereas stakeholders value recognition and consideration of their interests. Hence, the benefits derived from increased transparency on this topic could be mutually beneficial for both groups. However, stakeholder engagement generally remains weakly linked to tax matters and poorly communicated relative to the two other disclosures. These findings are misaligned with the degree of attention devoted to this group in organizational sources. One possible explanation could be that firms prefer to address the approach to engagement with authorities and public advocacy since these might impose the highest potential bearing on firms' financial and operational performance, for instance, through regulatory changes or successful lobbying.

Lastly, our findings show that disclosure 207-1, a) (iii) & 207-3, a) (i) is generally reported within the same sub-sections. This is also evident by the lack of unique scorers; all companies who received a score for the approach to engagement with tax authorities received a score for the approach to regulatory compliance, and the score for the for the former never exceeded the latter. This correlation is anticipated since the granularity and specificity of data required to accurately communicate the *approach* to engagement is more challenging to fulfil than stating general intent to compliance, as stated by the *guidance* for 207-1, a) (iii).

5.1.4 GRI 207-4 "Country-by-country reporting"

Lastly, for the quantitative section, OBX25 listed companies received an average a score of 26.7%, which makes it the second highest scoring disclosure. The disclosure of all tax jurisdictions (16.5%), names of resident entities (14.0%), and primary activity (9.0%) account for 39.5% of the total score in the qualitative section. These are categorized as *contextual* disclosures as they do not provide financial or economic data; instead, they serve as a framework to allocate fundamental data by jurisdiction. Norwegian OBX25 companies are decent at communicating tax jurisdiction across the value chain; 22 companies achieved a score

[15] Statements are collected from the financial reports of Equinor, Aker BP, Storebrand, Kahoot! and Mowi.

here which is evenly split between full and partial coverage. The difference between full and partial coverage is due to the use of aggregated geographical segmentations when reporting, hence a breakdown for each jurisdiction is not provided. The high frequency of scoring for this disclosure can be attributed to the volume of *appearance*, suggesting that our sample size recognizes the topic. One explanation could be that companies foresee regulatory changes, such as EUs public CbCR which is of EEA[16] relevance or are attentive to evolving stakeholder expectations. In addition, some Norwegian MNEs are already subject to the OECD BEPS framework[17] due to Norway's membership status (The Norwegian Tax Administration, 2022).

Moreover, our findings show that 207-4, a) persists as a detrimental factor of the utility for the quantitative information provided in later sections since it constrains the achievable scores for 207-4, b). The relationship is rather intuitive; quantitative data must be allocated for each tax jurisdiction. Accordingly, unless a firm achieves a full score when disclosing tax jurisdictions, the score for section 207-4, b) will not meet the threshold for full coverage.

Further, financial, economic, and tax-related elements remain considerably under-reported, accounting for just 23% of the quantitative score[18]. Profit/loss before tax (7.5%), revenues from third-party sales (5%), and corporate income taxes paid on a cash basis (7.5%) are the most prominent, whereas the remaining four disclosures account for just 3%. These findings are intriguing since consolidated financial statements are given at group level, and the topics are customary, hence the financial data across the value chain is already incorporated in these calculations. Consequently, the lack of breakdown of data cannot easily be attributed to the lack of available resources or time. Instead, it might suggest that unless there is a mandatory regulatory mandate, most firms do not see the need to provide information voluntarily beyond which tax jurisdiction its subsidiaries are subject for tax purposes.

The high frequency of scores for 207-4, a), coupled with the relatively non-significant volume of quantitative information, indicates that efforts are incomplete. One additional reason could be that providing the bare minimum may serve as insurance against public scrutiny or communicate a general intent without the need to reconcile with verifiable information (Bilicka et al., 2021).

[16] Norway is committed to the European Economic Area agreement, which unites EU memberships states and the EEA EFTA states (EFTA, 2022).
[17] The requirements are presented in table 1.
[18] Financial, economic, and tax-related information covers disclosure 207-4, b) (iv-x).

5.1.5 Distribution of GRI 207 scores by performance

This section will provide insight into the distribution of *zero*, *low*, *middle*, and *high* performers of tax transparency by each individual disclosure to better describe the state of tax transparency for OBX25 listed firms.

Scores are sorted as follows: If a company scores 0%, it is categorized as "Zero", "Low" is for company performance between 1-25%, "Middle" for 26-75%, and 76% and above for "High".

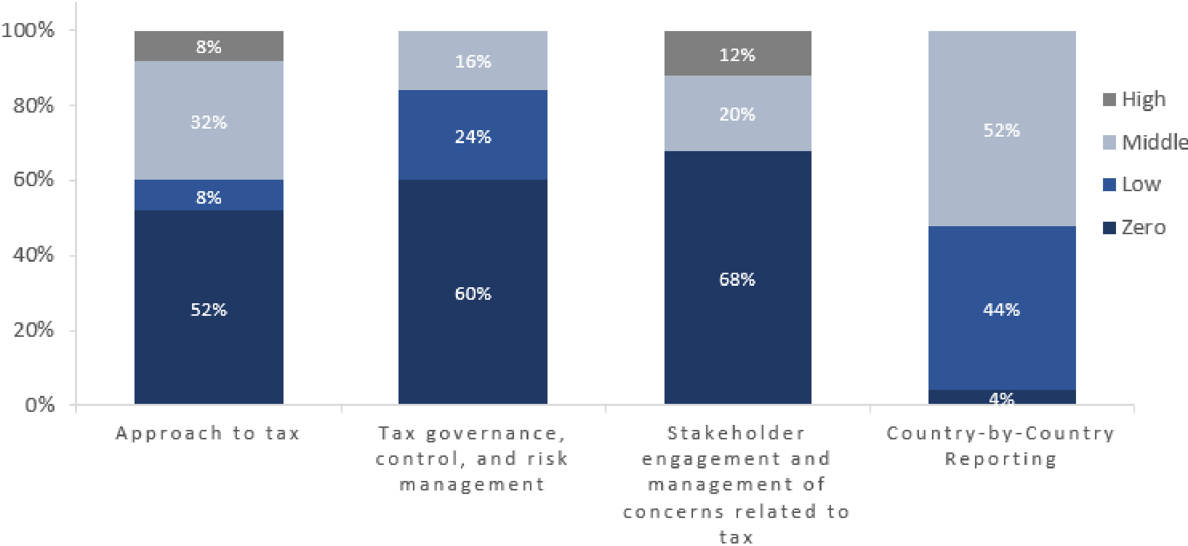

Figure 5 - Company performance on GRI 207 disclosures

Results show that the category composed of *zero* scoring companies represents the majority for all qualitative disclosures, highlighting that qualitative tax information broadly remains under-communicated. If we extend this perspective to include the addition of *low* scoring companies, we note that these two groups account for 84% and 80% of the composition for 207-2 & 207-3, whereas these groups amount to 60% for 207-1. Interestingly, we find that the most significant contributor to the high concentration of zero scoring companies in the qualitative section relies on the lack of *appearance* or mention, indicating that firms either willingly oppose to disclose information of this nature or rather were not sufficiently attentive or prepared to report in accordance with this new GRI standard. On the other side, *low* performers only account for 8% of the approach to tax, whereas *middle* and *high* performers amount to 32% and 8%, respectively. This correlation shows that a good portion of OBX25 listed companies somewhat manage to communicate their tax approach, while a small segment is clearly a level above the rest.

This relationship is not apparent for 207-2 & 3, where a more significant portion is found in the *low* and *middle* segments. Concerning the preceding, one possible explanation for 207-2 is that the composition of the disclosures is relatively diversified, with a total of six disclosures spanning from tax governance and control frameworks, mechanisms to report concerns of unlawful behaviour, and describing the assurance process for disclosure on tax. Accordingly, the absence of high performers is anticipated since it would require a high degree of coverage across various requirements, which, at this point, remains outside of the customary. Companies that fall in the *low* and *middle* segments mostly communicate their risk management and the governance body. For those who disclose, the *quality* remains acceptable.

Lastly, while stakeholder engagement and management of concerns related to tax (207-3) only compose of three disclosures, the high concentration of companies in the *low* and *middle* segments can be explained by the lack of direct information clearly depicting the approach to stakeholder engagement. Reaching the threshold of high performance requires full coverage for two disclosures and partial coverage for one. Equinor is the only company accomplishing this feat. A significant portion of the *low* segment for both 207-2 and 207-3 could easily be ranked higher by referencing one or two specific internal and external initiatives for governance and stakeholder engagement.

For CbCR, we find a low number of companies in the *zero* segment due to all but one scoring for the time period covered by the reported information. This is interesting since 24 companies provided a full score for the content in this disclosure. The explanation for this can be derived from the *guidance* disclosure, "*the principle of timeliness*", as asserted by clause 1.10 from GRI 101: *Foundation*, which states that organizations are required to report on a regular schedule to ensure the availability of information to stakeholders. Most companies utilize the financial statement to convey some of the topics covered by the CbCR section, which is published annually as required by national law (The Accounting Act, §3-1) and IFRS/GAAP. As a result, the content is covered in the latest time period. The high degree of full coverage for this disclosure does not necessarily provide a correct picture of a firm's transparency of tax-related matters, rather it relies on a technicality in the scoring measure.

In addition, we find that nearly all companies fall in the *low* (44%) and *middle* (52%) segments. While some of this can be explained by the high number of disclosures required, the number of separate Country-by-country reports is scarcely provided for OBX25 listed companies. Only

seven[19] remains available to the public and are somewhat limited in scope. The disclosure of profit/ loss before tax (7.5%) and corporate income tax payments (7.5%) is usually the extent of coverage of the strictly financial data. One interpretation is that firms solely see Country-by-country reporting as an expectation of the disclosure of tax payments by country. Consequently, complementary information such as tangible assets, revenues from third-party sales, and corporate income tax paid remains severely under-communicated. Nevertheless, we find that the average quantitative score for these seven firms is 39.5%, whereas the remaining 18 have an average score of 21.7%. The high number of firms in the *low* section is mainly attributable to the fact that most companies do not reconcile financial data for each tax jurisdiction.

Further, the lack of *high* performance for those who do disclose a CbCR report is intriguing. Consistent with Brown et al. (2019), we find that companies that do provide a CbCR are still subject to utilizing geographical segmentation. For instance, DNB includes an *"other"* section for corporate income tax paid, composed of Chile, China, Finland, Germany, and Latvia. Firstly, the composition makes relatively little sense; the tax system of China and Germany/Finland fundamentally differ, entailing that a further decomposition is highly valuable. Second, this accounting line is one of two lines that accrue losses for the group, yet it has an equal allocation of total assets to many other non-aggregated countries. Similarly, Gjensidige aggregate all Baltic countries, yet this segment accrued a significant loss in 2021, while representing around 20% of the employee account. For Telenor, the *"other"* section is also aggregated with no explanation of composition. Interestingly, this accounting line accrues significant losses for the group with a very low employee count.

5.2 COMPANY PERFORMANCE

This section will first provide an overview of the average tax transparency performance based on segment. Next, we will examine the differences in company performance based on the differences between quantitative and qualitative tax transparency score. Companies are sorted after their tax transparency score: "*Bottom 5*" is the five lowest scoring tax transparency companies, "*Middle 15*" is for the companies between the top and bottom, and "*Top 5"* is for the five most transparent companies.

[19] The seven Country-by-country reports are provided by Equinor, Yara, Norsk Hydro, DNB, Gjensidige, Telenor and Storebrand. While Storebrand calls their document "Tax transparency report 2021", its content mirrors that of a CbCR.

5.2.1 Average tax transparency performance

Figure 6 shows the tax transparency performance for each company and the average tax transparency performance, which is represented by the red line.

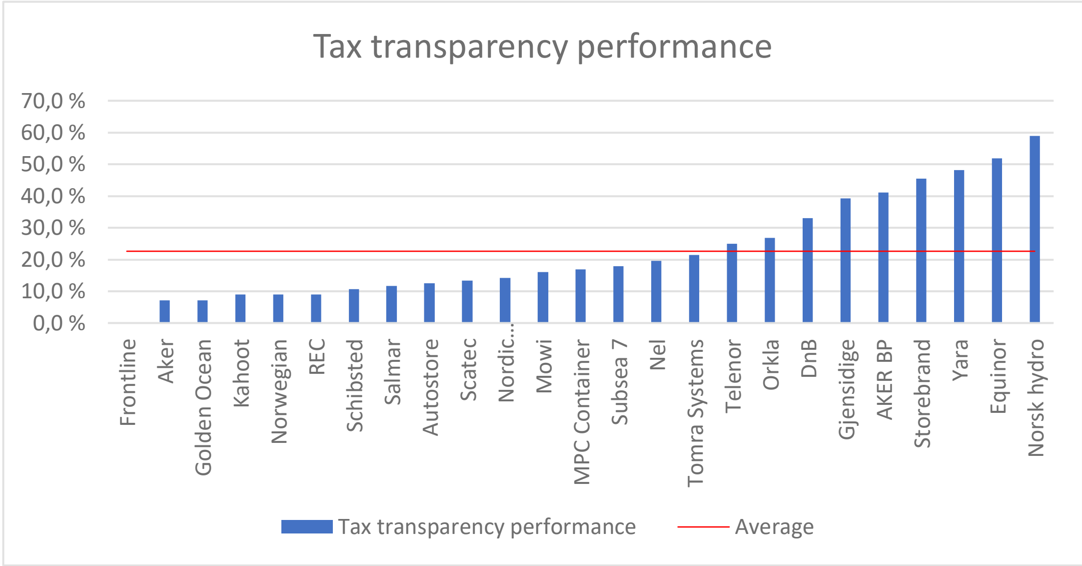

Figure 6 - Tax transparency performance.

The average score for all companies was 22.6%, with a median of 17.0%. The average tax transparency performance varies from Frontline, which scored zero on all disclosures, to Norsk Hydro which has the highest tax transparency performance with a score of 58.9%. Equinor is the only other company that receives a score over 50%, with a score of 51.8%, while we find 16 companies to have a below average score.

In addition, the largest jump in scores occurs at each side of the scale, with a 7.1% difference which holds for both extremes. Between the least transparent and the second least transparent companies, we have Frontline at 0% and Aker at 7.1%. At the other end of the scale, we find Equinor at 51.8% and Norsk Hydro at 58.9%. Next, we have the second largest jumps from Orkla (26.8%) to DNB (33%) to Gjensidige (39.3%) which have a difference of 6.3% between them.

Tax documents are one of the most important sources for tax transparency performance. The average combined score for the eight companies that had published a tax document was 43.1%, while the average score for the 17 companies that did not have a separate tax document was 13.0%. Much of the content of these tax documents coincides with a sufficient part of the disclosures. This suggests that some companies are highly attentive to the topic of tax transparency and choose to publish a tax document even in the absence of a disclosure mandate.

These reasons might explain the large differences in average scores between companies that publish a separate tax document and those that do not.

The financial state and size of the companies may also play a role in this relationship. Of the eight companies that published separate tax documents, six were in the top half of companies in terms of average ROA over the last five years. When we focus on the size of the companies, the effect is even more relevant. The eight companies that have produced a public tax document are all in the top ten when sorting after total assets.

Finally, three companies articulated that the report was published in accordance with GRI 207, which was Norsk Hydro, Aker BP, and Yara. Nevertheless, they did not manage to score anywhere close to the maximal achievable points, which is evident by their combined score of 51%. These companies are clearly directing resources in the right direction to improve tax transparency performance, yet we find that they accrue a good amount of partial coverage due to the quality of the reported information. Meanwhile, according to their GRI disclosure overview, Aker BP dedicates just two pages in their sustainability report to GRI 207. These pages have contributed to the high score, but they do not provide any reason for why some of the requirements are not mentioned.

5.2.2 Differences in quantitative and qualitative performance

Figure 8 provides an overview of companies when we compare their quantitative and qualitative score. A negative percentage score indicates that the company had a higher quantitative than qualitative tax transparency score. Conversely, a positive percentage score shows that the quantitative score was higher than the qualitative score.

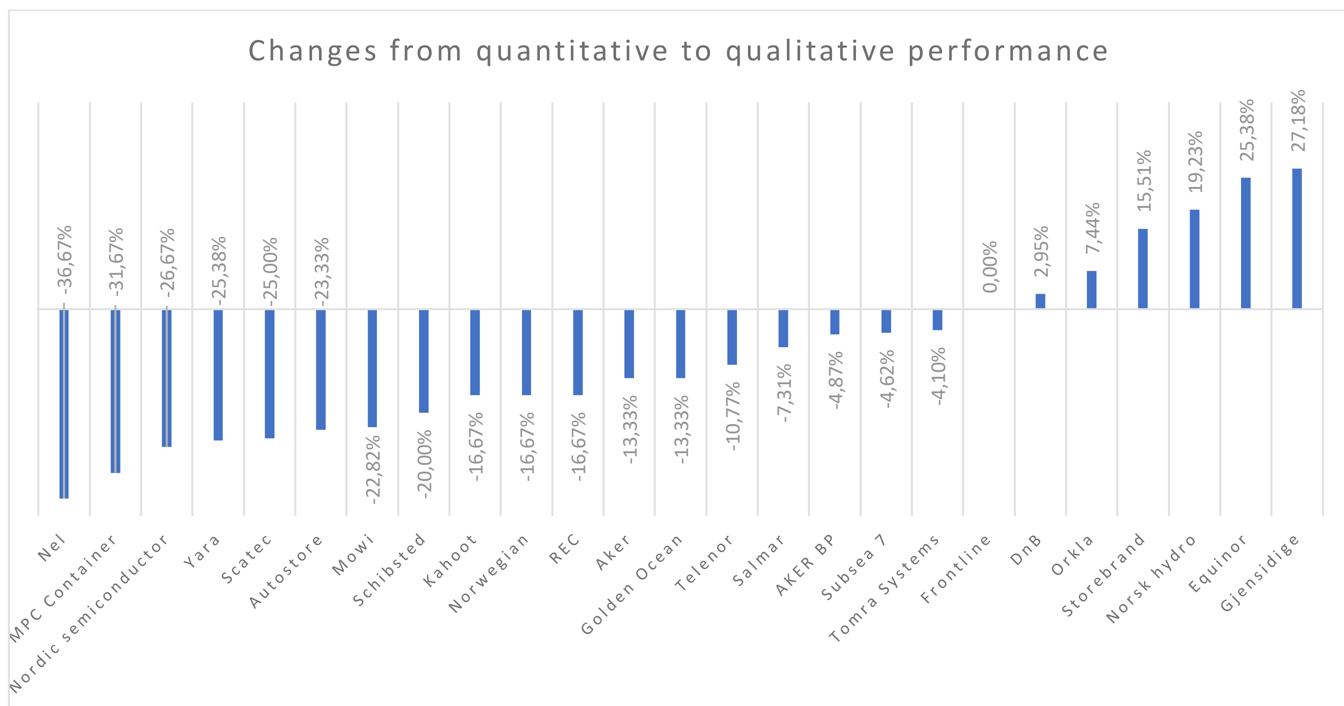

Figure 7 - Changes from quantitative to qualitative tax transparency performance.

While many companies had similar scores on qualitative and quantitative tax transparency disclosures, there were also notable differences in performance between the two types of disclosures. For example, NEL and MPC Container had a quantitative score of 36.7 and 31.7 percentage points higher than their qualitative scores. On the other hand, Gjensidige and Equinor scored more on qualitative disclosures, with 27.2 and 25.4 percentage points higher, respectively, compared to the quantitative disclosures.

Frontline, DNB, and Tomra were the three companies that had the least difference between qualitative and quantitative disclosures, with 0, 2.9 and 4.1 percentage points differences. Frontlines lack of difference is attributable to the fact that they scored zero points on all qualitative and quantitative disclosures.

The average score for quantitative disclosures was 7.4 percentage points higher than for the qualitative disclosures. The trend between the scores seems to be that companies that score high on qualitative requirements tended to score lower on quantitative requirements, with the top four qualitative scorers falling between 15-30 percentage points on the quantitative requirements. All top three climbers, from qualitative to quantitative, scored zero on qualitative requirements. One reason could be that it is easier to improve from a score of zero, than from a score of 50-60%. A total of 18 companies received a higher quantitative score than qualitative score, whereas only six received a higher qualitative score. One possible reason for this is that

scoring on the first three disclosures of 207-4[20] and 207-4 c) (i) is relatively easy. One would expect companies to fulfil regardless of their approach to tax transparency since these topics are more customary. A total of 18 companies received a 20% or higher score on quantitative, while only eight companies managed this feat in the qualitative section.

When we put together the average score for the companies that scored zero on qualitative disclosures, we find that they have an average score of 20% in the quantitative section. This is much lower than the average score of 32.9% for companies that achieved a score in the qualitative section. In addition, the five highest scoring companies in the quantitative section did receive points on the qualitative disclosures. One possible explanation could be that companies who are more involved in the qualitative disclosures are attentive to the expectations of CbCR as well, whereas companies who perform badly in the qualitative section are likely to score relatively worse in the quantitative section.

5.3 Tax transparency and ESG

This section will examine if tax transparency and ESG are connected. We will perform several analyses to see whether tax transparency plays any role in the ESG score of the companies. After this, we will utilize sorting matrices to sort the companies after their tax transparency performance and ESG scores. MPC Container and Kahoot! are the two companies with missing ESG scores. Kahoot! is among the five lowest-scoring tax transparency companies, while MPC Container is in the middle category. This means that four companies are sorted as “Bottom 4”, and 14 are sorted as “Middle 14”.

5.3.1 Average ESG score for each tax transparency segment

When we look at the ESG score of the different companies, we see quite a few differences. The main thing that stands out is that the average ESG score of the ten companies that scored zero points on qualitative tax transparency is 41.7 points. This contrasts with the 73.9 points on average for the 13 companies that scored points on the qualitative standard. Diving deeper into the different ESG dimensions, we notice that four of the five highest-scoring companies on tax transparency are also on the list of the five highest-scoring companies on Governance. At the same time, the connection between tax transparency and the Environmental or Social dimension is weaker, with three of the highest-scoring companies being among the top five most transparent.

[20] Disclosure 207-4, a) & b) (i-ii).

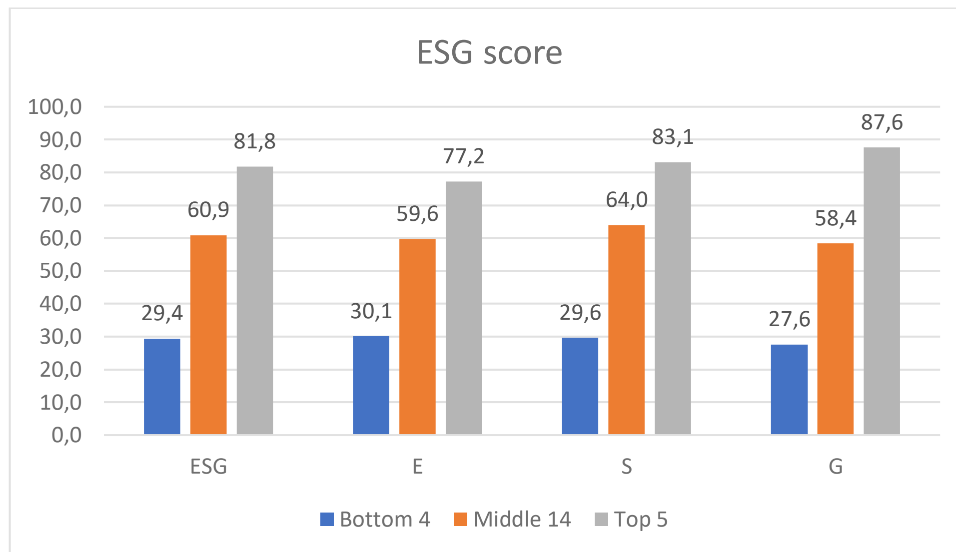

Figure 8 - ESG scores sorted after tax transparency performance.

Both for ESG and each dimension, we see that a higher tax transparency score results in a higher ESG score, an assertion that holds for all tax transparency performance segments. The most significant difference is in the Governance dimension, where the most transparent companies scored 59.97 points higher than the bottom four companies. Conversely, the difference between the best and worst in the Environment dimension is 47.13 points. We find the same results when we focus on the difference between the Top and Middle segments. The Governance dimension has the largest difference with 29.18 points, whereas the Environmental dimension compounds a difference of 19.17.

As Kerr proposes (2018), greater corporate tax transparency can be associated with a lower propensity to tax avoidance, whereas Yoon et al. found (2021) a similar relationship between ESG score and tax avoidance. If these assumptions hold, then a possible explanation for our findings could be that the best tax transparency performers take the issue of sustainability to heart and, to a larger degree, see tax transparency as a means to legitimize and highlight sustainable tax practices.

In addition, we find that no individual ESG dimension appears as the highest scoring dimension across all company segmentations. For the *high* segment, the Governance dimension is the highest scoring. The *middle* segment achieves the highest score in the Social dimension, whereas the *Low* segment scores best in the Environmental dimension.

5.3.2 ESG and tax transparency sorting matrix

To better understand how tax transparency and ESG are connected, we now sort the sample into different categories based on their tax transparency performance and ESG score. We utilize the same sorting segmentation as we did for tax transparency performance, although we now sort ESG scores in a similar manner. Accordingly, ESG scores are allocated to segments as follows: the five lowest are registered as *low*, the following 15 companies as *middle*, and the five highest scoring companies as *high*. Since Kahoot!, and MPC Container are missing an ESG score, there will be 14 scores in the *middle* segment of tax transparency and four for the l*ow* tax transparency segment.

	High ESG	*Middle ESG*	*Low ESG*
High tax transparency	4	1 (Aker BP)	
Middle tax transparency	1 (Orkla)	12	1 (Frontline)
Low tax transparency		1 (NEL)	3

Table 4 - ESG score & Tax transparency score matrix.

Similarly, we can see a trend between ESG and tax transparency. Four of the highest ESG scores are also the highest tax transparency performers when ranked in this manner. We also find that the majority of companies in the middle and low segment retains similar rankings for ESG and tax transparency. Aker BP is the exception to this trend due to the drop in ESG performance. Aker BP is involved in the extractive oil and gas industry, which might explain some of the drop in performance as this industry accrues higher emission rates. Another illustrative example could be derived from Orkla, which retains a high ESG score, yet fall short on tax transparency. Orkla has one of the longest and most detailed sustainable sections in their financial reports, measuring over 100 pages dedicated to communicating sustainable initiatives. While the attention to tax transparency is evident from the same report as well, Orkla does aggregate the Baltic countries for CbCR. As mentioned previously, aggregated zones will provide an insufficient framework to allocate quantitative tax information on a per country basis, thus ensuring partial coverage. Accordingly, Orkla has the second highest frequency of partial coverage in the CbCR section.

If Nel had an ESG score that was 5.25 points higher, then Nel and Frontline would have switched places. For Orkla and Aker BP, the differences are larger with a point differential of 21.62. The ranking of the hydrogen energy provider, NEL, is interesting. In tax transparency performance, NEL ranked as number eleven, while their ESG score and the score for each

dimension are in the bottom 5 receiving the lowest Governance score of all companies. NEL does provide separate documents for their ESG policy and GRI usage (does not utilize 207), while some pages are dedicated to ESG in their financial statements. While the reason for the low ESG score might be hard to explain, NEL achieves 0 scores from the qualitative section, but they provide good coverage of some of the contextual information in the CbCR section. These factors might explain the difference in ranks.

	High E	*Middle E*	*Low E*
High tax transparency	2	3	
Middle tax transparency	3	9	2
Low tax transparency		1	3

Table 5 - Environmental score and tax transparency score matrix.

For the Environmental dimension, we find that the connection is less clear due to a higher number of outliners. For instance, only two of the five highest tax transparency performers retain this rank in the Environmental dimension. A likely reason can be derived from the composition of the highest tax transparency performers. Aker BP, Equinor, and Norsk Hydro are companies that do have higher emission rates due to the nature of their operational activities. Accordingly, we find these companies in the middle E segment. In addition, these three companies are amongst the eight largest companies sorted after size, which could suggest that they have more resources available to work on tax transparency, while their day-to-day business makes it harder for them to receive a high Environment score.

	High S	*Middle S*	*Low S*
High tax transparency	3	2	
Middle tax transparency	2	11	1
Low tax transparency		1	3

Table 6 - Social score and tax transparency score matrix.

The connection between the Social dimension and tax transparency performance appears to be more prominent than the relationship for the Environmental dimension. The difference between NEL and Frontline is just 1.87 points; with just a slight difference in scores, all low tax transparency companies could be sorted into the low Sustainability score. Similarly to the relationship for the Environmental dimension, we see that companies with high emissions are struggling. As was the case in the Environmental matrix, Equinor and Aker BP appear in the

middle segment for the Social dimension as well. We suspect that the same reason is valid for Social as in Environmental. For instance, Equinor has received much scrutiny for their fracking business in USA, which has led to local protests and a rise of environmental organization to protest in an attempt to shut down different facilities (Omvik & Anne, 2022).

	High G	*Middle G*	*Low G*
High tax transparency	4	1	
Middle tax transparency	1	11	2
Low tax transparency		1	3

Table 7 - Governance score and tax transparency score matrix

Governance and tax transparency have the closest connection when sorting tax transparency and each letter of ESG, with only five companies serving as outliners compared to their tax transparency performance. As hood infers (2007), transparency has been associated with good governance over the last two decades. On this ground, a possible explanation could be that governance ranks high on the Norwegian agenda. For instance, The Accounting Act[21] does require all publicly listed firms to provide *"...corporate governance principles and practices..."* in their annual financial statement. Additionally, we find that the four companies in the *high-high* box score on most tax transparency disclosures where the governance body is the subject. Oppositely, both companies in the middle tax transparency performance and low Governance box scores zero points on these disclosures. Not many companies stand out here, but Scatec, who ranked 16 of 25 in tax transparency, has the seventh highest Governance score. Norsk Hydro and Equinor, ranked as number one and two on tax transparency, retain the same position for Governance with impressive scores of 96.38 and 91.27, respectively.

Hongler (2022) suggests that GRI 207 tends to focus primarily on governance factors in relation to tax. If this assumption holds, then an improvement in governance structures in relation to GRI 207 might increase the score in the Governance dimension. Derived from this, the best tax transparency performers might have the best Governance scores as these topics coincide. On the other hand, the higher scores in the Governance dimension compared to the other dimension are more likely attributed to the fact that Governance elements are more represented in tax transparency disclosures.

[21] The Accounting Act §§3-3b & 1-5.

5.3.3 Industrial differences

In the following, we provide an overview of the tax transparency performance and ESG score for each industrial sector to see what role the industrial sector might play between ESG and tax transparency performance.

Number of companies in parentheses

Industrial sectors	*Average ESG*	*Average tax transparency performance*
Industrials (5)	34.4	12.0 %
Energy (5)	64.1	24.8 %
Financial (3)	75.1	39.3 %
Consumer (4)	59.8	15.8 %
Communications & Technology (3)	63.8	14.7 %
Materials (3)	65.0	38.7 %

Table 8 - Scores for different industrial sectors

When we focus on the industries, we find a lot of different aspects of interest. For example, industrials, consumer, and communication & technology all have sector averages below the average tax transparency score of 22.6%. While in the other end, financial and materials have an average of 39.3% and 38.7%.

The three companies in the financial sector are all in the top seven when it comes to tax transparency performance. However, for ESG, only Storebrand is in the high category with the highest ESG score of 92.59 points, while DNB and Gjensidige have ESG scores of 67.94 and 64.90. These scores are just slightly over the average ESG score of 59.94. For DNB's case, this is due to their low Governance score of 43.90[22].

On the other end, we have five companies categorised as industrials. They have the lowest average tax transparency performance and ESG score. Two out of four companies that were registered in foreign countries are in the industry category. In addition, two companies in this sector, NEL and Autostore, recently went public, which might suggest that a core focus is to assure growth and profitability, thus redirecting the focus from sustainable activities. In the case of Aker, we find a lack of attention to both ESG and tax transparency in the financial statement, which can explain the low score.

[22] DNB has been involved in a string of cases connected to lacking governance overview. Recently, they received daily fines for not obtaining identification from all their customers (Lea, 2022).

Energy is the sector that has the biggest differences between tax transparency performance, with Frontline's score of zero and Equinor's at 52%. In addition, regarding the ESG score, we find similar differences between Frontline's score of 34.89 and Equinor's score of 79.03. In addition, there is significant discrepancies between the two highest scorers, Equinor and Aker BP, and the three bottom companies, Frontline, Scatec, and Subsea 7. One possible explanation that can explain some of the differences in tax transparency performance is that Equinor and Aker BP are the only companies involved in the extractive industries for this sector. On these ground, they shall then "*…annually prepare and publish a report containing information about their payments to governments at country* [...] *level*"[23]. When required by law to provide one thing, that might incentivise the disclosure of other tax-related information as well. In addition, Subsea 7 is interesting in this sector as it contributes to the low average tax transparency performance (17.8%), yet it contributes to a higher average ESG score with a score of 75.5. In this case, ESG might naturally have taken priority over tax transparency which might explain the large differences.

Materials shares many aspects with the energy sector as there are significant differences between the ESG score and tax transparency. Norsk Hydro and Yara are the most and third most transparent companies in our analysis, while REC Silicon only received a tax transparency performance of 9%. REC Silicon is also the second worst company ranked after ESG score with an average of 28.12 points, while Norsk Hydro and Yara are ranked top five in ESG.

The consumer sector has the least differences between tax transparency performance. Norwegian received 9%, while Orkla received 27%. However, when looking at ESG scores, the differences are more apparent; Norwegian has the lowest ESG score, while Orkla received the second highest ESG score. Both Salmar and Mowi are in the middle category for tax transparency and ESG. While Mowi and Salmar are involved in the fish farming industry, the aviation company, Norwegian, and the provider of consumer goods, Orkla, are in completely different industrial contexts. For instance, Norwegian might have more international peers, which might insinuate that expectations and industry standards are different. Oppositely, Orkla has a larger degree of Nordic peers, which might explain why ESG and tax transparency are higher on the agenda.

The final category we have is technology and communication. Kahoot! has not received an ESG score from Refinitiv. So, we are left with only three companies in this category. These three

[23] The Accounting Act §3-3d (1) "Reporting of payments to governments".

companies are all in the middle ranking of tax transparency and ESG. This is in contrast to what we could potentially see amongst the large tech-companies in the US that are known for their complex tax structure and small effective tax rate (Akins & DiMolfetta, 2021).

5.4 COMPANY CHARACTERISTICS

To analyse what company characteristics affect the tax transparency performance, we will analyse the profitability, the role of public ownership, and how size can affect the tax transparency performance. After this, we investigate our sample's four foreign-registered companies to see what distinguishes them from companies registered in Norway.

5.4.1 Profitability

For profitability, we have used both ROA for a 5-year average and EBITDA margin for the last year to account for the long-term and short-term profitability.

This figure shows the Profitability for each segment of tax transparency performance

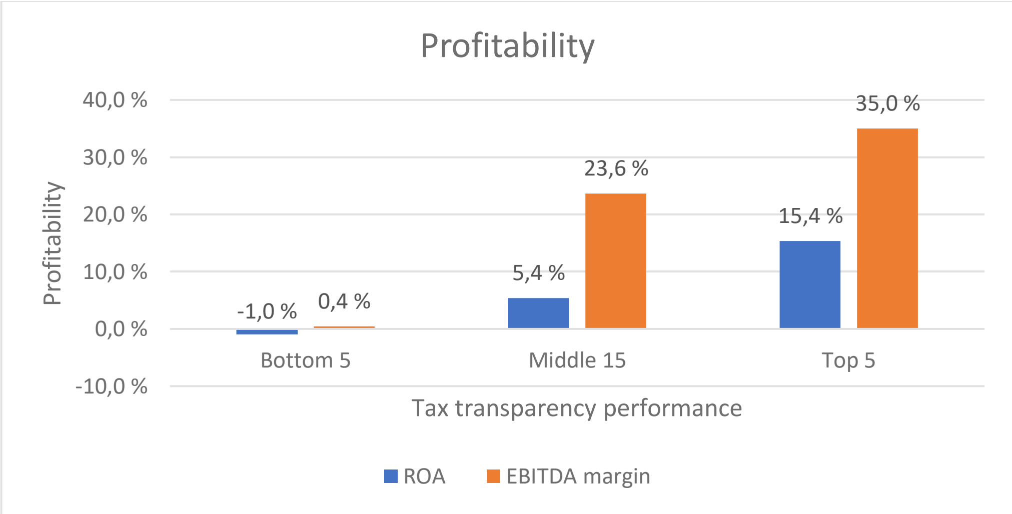

Figure 9 - Profitability sorted after tax transparency performance

The results show a link between profitability and tax transparency, with a clear distinction between the bottom 5 and top 5 companies. This is likely because more profitable companies have more resources available to work on tax transparency issues. The companies that have had a negative ROA for the last five years likely have more pressing matters than disclosing their approach to tax authorities and working on how they can be more transparent. It is worth noting that among the bottom five category, we find companies such as Kahoot!, and Autostore. These

two companies went public in 2021 and had a negative ROA. For their stakeholders, matters such as growth and market share might be more important than tax transparency.

There are a few exceptions to this trend. Golden Ocean, with a tax transparency performance of only 5%, is the fourth most profitable firm sorted after ROA, behind Norsk Hydro, Equinor, and Aker BP. These three companies with the highest ROA are also in the top five regarding tax transparency. On the other hand, Storebrand has a tax transparency performance of 46%, which puts it in fourth place among the companies in our sample. Nevertheless, it is only the 18th most profitable firm. One possible explanation could be derived from the nature of Storebrands' core activity. Storebrand is a financial group focusing on long-term savings and insurance. As such, they have a large balance sheet, making achieving a high ROA margin harder.

These results are similar to the research of Ahmad et al. (2021); he shows that companies with higher ESG scores had higher financial performance than the low ESG-rated companies. In our sample, we find that higher tax transparency performance, which is also the best ESG scorers, is connected to higher profitability. If investors demand more tax transparency, companies such as Kahoot! and Autostore will have to increase their focus on this matter to improve social reputation and build trust with stakeholders.

5.4.2 Public ownership

Scores are shown as the mean average

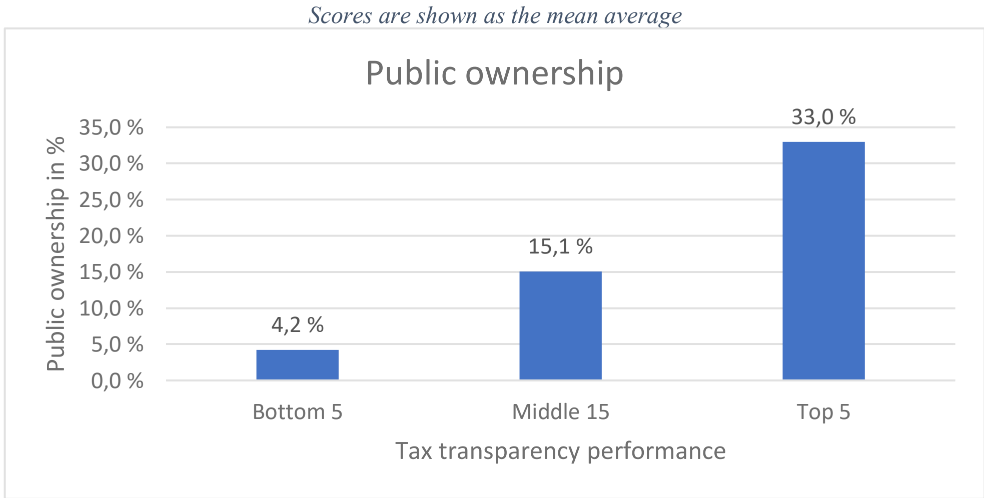

Figure 10 - Public ownership sorted after tax transparency performance

There is also evidence of a connection between tax transparency and public ownership. We see a gradual increase in tax transparency performance as the stake of public ownership increases. For three of the five highest performers, Equinor, Yara, and Norsk Hydro, the government owns a sizable share of 70.4%, 41.2%, and 40.4%, respectively. For Storebrand, Folketrygdfondet is

the largest shareholder, with 9.6%. It is only for Aker BP, where the government is not the largest shareholder amongst the top five transparency companies with a 3.2% stake. All companies with public owners as their largest shareholders are in the upper half of transparency performance. These companies are Telenor and DNB, which has the ninth and seventh highest tax transparency performance in our research.

Gjensidige, owned by Gjensidigestiftelsen, a foundation that distributes support for socially beneficial purposes, owns 62.2% of Gjensidige (Gjensidigestiftelsen, 2022). Accordingly, Gjensidige performs well on tax transparency with a score of 37.5%, placing them just outside the top five segments. Frontline has the highest degree of public ownership among the five lowest-scoring companies, where Folketrygdfondet owns 5.26% of the shares. All of the nine lowest scoring tax transparency companies have lower public ownership than the median of 6.7%. In the "Middle 15" segment, we find the two companies with no public ownership. These companies were REC, who scored 9% in our analysis, while NEL was in the upper half with a score of 20%. These results are intriguing, as public ownership remains a noticeable share of Norwegian OBX25 listed companies. One explanation can be that taxes are an essential source of revenue for the Norwegian welfare state, so it makes sense that companies owned by the state, and thereby the people, will have the highest tax transparency score. This is also evidenced by the expectations of the state for all companies the state has direct ownership in, asserting that *"... the state expects prudent, serviceable, and justified tax policy* [*and*] *transparency of where economic value is created and tax paid."* (Ministry of Trade, Industry and Fisheries, 2022) [24]. On this basis, the government can actively exercise its ownership rights instilling its expectations and demand more transparency. The goals of ownership will vary from that of a private investor to that of the government. Private investors' main goal will often be to maximise profits. In contrast, the government will likely also have other reasons, such as sustainable restructuring, everyday goods, and social and geographical distribution (The Norwegian Government, 2019). As taxes are a critical factor in achieving these goals, it is not surprising that publicly owned companies tend to place a greater emphasis on tax transparency.

Another reason publicly owned companies could be more transparent than their counterpart is to set the standard for the other companies. If the government uses its influence to increase tax transparency standards, then investors or other stakeholders could demand this level of tax transparency in other companies. On the other hand, if the companies where the government is

[24] The expectations of the state are given on the behalf of the Ministry of Trade, Industry and Fisheries, in Meld. St. 6 (2022-2023) which is a report to the Storting (the Norwegian Parliament).

the largest shareholder do not care and publish information about tax transparency, why should the stakeholders of REC and NEL expect it?

Furthermore, if a government-owned company was involved in a scandal involving BEPS, that could hamper the relationship between Norway and that country where taxes were avoided. The same argument could also be used here, as in the last paragraph. If Norway and Norwegian companies are not at the forefront of tax transparency, then should countries with fewer resources be?

Public-owned companies may have a greater focus on tax transparency due to their unique ownership structures and the broader objectives that governments may have. By promoting transparency, these companies can help to set the standard for responsible and sustainable business practices and foster replicability.

5.4.3 Company size

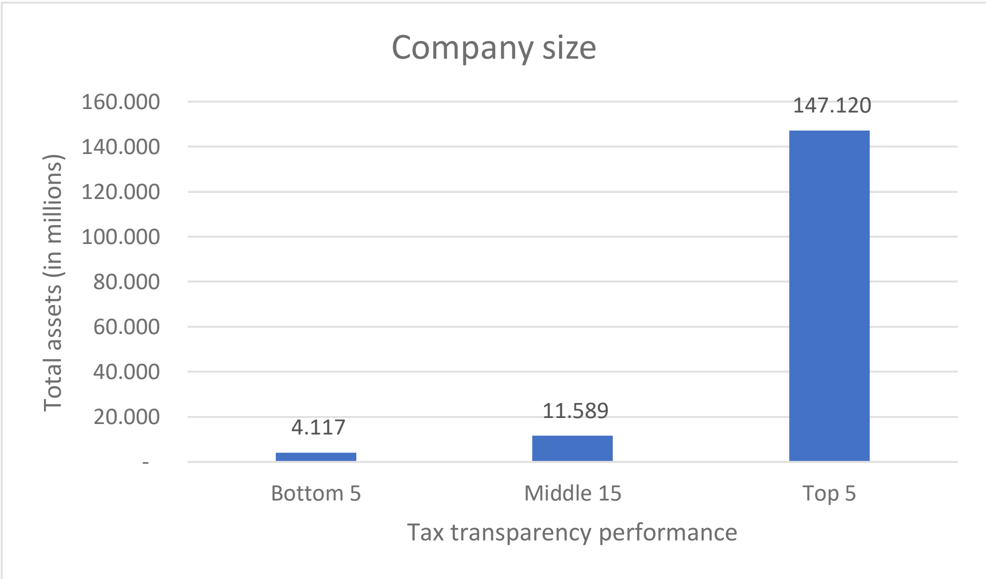

Figure 11 - Company size sorted after tax transparency score

The five highest performing tax transparency companies are by quite some margin the largest companies in our sample, whereas the difference between the bottom 5 and middle 15 is less subtle. As Ahmad et al. (2021) infer, *company size*, as proxied by total assets, had a moderating effect on the ESG scores and the financial performance of the companies. *Company size* may induce the same moderating effect between tax transparency, which can explain the significant discrepancies in size. Larger companies have more expertise and resources available to participate in tax transparency and can relocate resources more freely to match new social expectations. However, not all large companies have high tax transparency performance. For

example, Schibsted, the ninth largest company by assets, was ranked 18th for tax transparency, much lower than companies such as NEL and Nordic Semiconductor which have significantly lower assets.

Additionally, Aker, the third least transparent company, stands out among the bottom 5 companies with three times larger asset size than the four other companies combined. An interesting finding is that while Aker scores poorly on tax transparency, their subsidiary Aker BP is the fifth most transparent company. We also see that other subsidiaries of Aker[25], such as Aker Horizon and Aker Solutions, do provide a CbCR section and some tax strategy information. One possible explanation is that Aker, the holding company, outsources the reporting of tax-related matters to the subsidiaries as the information is more fitting to be disclosed in these financial statements due to the operational activity.

One final consideration concerning size could be derived from the impact that public pressure might impose on large companies. As these companies are more well-known than the smaller companies in the sample, they may spend more time and resources mitigating potential scandals. On this ground, we could anticipate more transparency in tax-related matters. Scandals can have a broader impact on large companies due to their higher level of public visibility. However, the companies we have analysed vary a lot in size; this, combined with the low sample size, makes it hard to say anything causal about this characteristic.

To summarise, it is difficult to draw any causal connection to what factor is the most important for a good tax transparency performance since there is some overlap between the different categories. For instance, companies such as Norsk Hydro and Equinor are in the top five categories of profitability, public ownership, and size. But it seems that companies that are larger, more profitable, and has a public owner as their largest shareholder, are companies that achieve higher tax transparency performance.

5.4.4 Foreign versus domestic registered companies

Four companies in our sample are not registered in Norway, despite being on the Oslo stock exchange. To shed light on the differences between Norwegian and foreign registered companies, we have looked at aspects such as ownership of these companies, their approach to

[25] Aker Horizon and Aker Solutions are companies outside our sample size but might offer additional insight into the score of the holding company Aker.

GRI, and what information they have published to see if this can describe their tax transparency performance.

Of the four companies that do not use the GRI frameworks actively, we find that two of them are foreign registered, Golden Ocean and Subsea 7. Still, we see that Subsea 7 is the only one of these four companies that have scored on the qualitative requirements.

Company name	*Registered in*	*Tax transparency performance (rank)*	*Qualitative score*	*Quantitative score*	*ESG Score*	*Public ownership*
Autostore Holding	Bermuda	10.7% (19)	0%	23.3%	58	1.6%
Frontline	Bermuda	0% (25)	0%	0%	34	5.3%
Golden Ocean	Bermuda	5.35% (24)	0%	13.3%	28	3.8%
Subsea 7	Luxembourg	17.85% (12)	15.4%	20%	77	7.7%

Table 9 - Foreign registered companies characteristics

These results show that the quantitative score exceeds the qualitative score for foreign-listed companies. Initially, this contrasts with research suggesting that qualitative information may be harder to verify (She, 2021), suggesting that firms may be incentivised to supply unsubstantiated information to satisfy stakeholder expectations without reconciling information with quantitative data (Bilicka et al., 2021). These companies are registered in these countries, presumably to reduce the total tax burden, yet all score higher in the CbCR section. However, Autostore Holding and Golden Ocean only score for the introductory requirements, such as the tax jurisdictions where entities are resident for tax purposes and the time period covered by the reported information. Moreover, neither of these companies offers any additional financial, economic, or tax-related information. The only exception is Subsea 7, which provides partial coverage for revenues from third-party sales. Thus, the verifiability remains relatively limited since the information provided offers little to no measurable quantitative tax information.

Some of the explanations for the poor tax transparency performance may lie in the characteristics of the companies. They all have below the median size of assets. Golden Ocean is the only company with above median ROA. In the category of public ownership, they also all have below median ownership. As we saw earlier, all of these three factors were connected to a higher tax transparency performance.

		Average	Median
Qualitative score	Foreign companies	3.8%	0
	Norwegian companies	20.5%	7.7%
Quantitative score	Foreign companies	14.2%	16.7%
	Norwegian companies	29.2%	26.7%

Table 10 - Tax transparency performance between Norwegian and foreign

In addition, we find some interesting differences between foreign and Norwegian registered companies when we look at the average tax transparency score. As we can see from the table above, the difference between Norwegian and foreign ownership is significant. The average qualitative score falls from 29.2% for Norwegian companies to 14.2% for foreign, while the quantitative score shows a similar pattern with a decrease from 20.5% to 3.8%, supporting the notion that companies who choose to register in foreign countries are among the least transparent companies in our sample size when it comes to disclosing tax-related information.

5.4.1.1 Ownership structure and country of registration

The companies Frontline and Golden Ocean are exclusively publishing form 20-F, the primary disclosure document required of foreign private issuers listing equity shares on exchanges in the United States (Toppan Merrill, 2022). The largest shareholder of these two companies is the Norwegian-born Cypriot John Fredriksen[26], who is not particularly fond of disclosing how much wealth he owns or how much he should pay in taxes (Sundnes & Sæter, 2013).

Autostore is owned 38.3% by Alpha LP, a part of the Softbank group, and 33.6% by Thomas H. Lee Partners Fund VIII (Autostore, 2022). While for Subsea 7, the largest owner is Siem Industries S.A, with 23.2% (Subsea 7, 2022). Here again, the largest owner is Kristian Siem, owning 80% of the share capital. Siem Offshore has also been involved in tax disputations with the government, resulting in a sentence to pay a fine of 10 million (NOK) in 2015 for tax avoidance of 45 million (NOK) (Lorentzen, 2015). If the largest shareholder does not want to be transparent about their wealth and taxes, it comes as no surprise that tax transparency is not the main focus point for the companies that they own.

[26] John Fredriksen owns 39% and 39,2% of Frontline and Golden Ocean through his holding company Hemen Holding Ltd.

The countries that these companies are registered in are also famous for being tax havens. Tax Justice Network is an organization that yearly publishes its financial secrecy index (FSI). Bermuda scores quite high, with a secrecy score of 70/100. They also score full points on indicators such as lack of public CbCR, corporate tax disclosure, and avoidance of promoting tax evasion. Bermuda has no taxes on profits, income, dividends, or capital gains at the time of writing. Luxembourg has a lower secrecy score of 55/100. However, they also score full points on indicators such as transparency of company ownership and corporate tax disclosures (Tax Justice Network, 2022). Bermuda was recently delisted from the EU's tax haven list, which came with strong criticism from several organizations (Oxfam International, 2022).

6 DISCUSSION

This thesis identifies the state of tax transparency for Norwegian publicly listed firms on the OBX25 index while examining the relationship between ESG score and tax transparency performance. We operationalize the disclosures presented in GRIs tax standard, GRI 207, to determine whether publicized organizational documents are sufficient to cover the content of the disclosures presented in the qualitative and quantitative sections. This section will discuss some of the most interesting findings.

6.1 THE STATE OF TAX TRANSPARENCY

Our findings suggest that the state of tax transparency for Norwegian companies leaves much to be desired. We find that the average tax transparency performance is 22.6%, with an average qualitative score of 19.3% and a quantitative score of 26.7%. In addition, the approach to tax and the Country-by-country segment of GRI 207 is shown to be the highest-scoring disclosure concerning the frequency of appearance and quality. Still, we find that zero-scoring companies account for the majority of the composition in the qualitative section. This relationship holds for all individual qualitative disclosures. In contrast, the contextual disclosure in the quantitative section is mostly well-reported. However, for most companies, this remains the extent of Country-by-country reporting.

We find many requirements in the qualitative section that are easily fulfilled and substantially challenging to verify. This would insinuate that, regardless of the underlying intention, firms could seek to legitimize or greenwash their tax practices. The qualitative section offers many possibilities to provide unsubstantiated information to achieve partial coverage. For instance,

three disclosures can easily be fulfilled by stating a general intent to comply with the spirit of the law, providing a reference to a publicly available tax strategy, and disclosing some information about how stakeholder concerns are collated. Logically, any rational actor would issue an intent to comply or provide an unsubstantiated tax strategy as it might not impose any immediate negative consequences for the firm.

Nevertheless, zero-scoring firms account for the majority of all three disclosures. Our findings contradict that of Bilicka et al. (2021), highlighting the different regulatory contexts. In the absence of a qualitative disclosure mandate, we find that most Norwegian companies do not disclose tax information of a qualitative nature. At the same time, it would not necessitate a significant resource or time commitment to improve qualitative tax transparency performance significantly. Further, most companies are attentive to evolving stakeholder expectations of Country-by-country reporting, yet the scope of this reporting remains limited. For instance, some dedicate a separate section for CbCR reporting; nevertheless, they only adequately disclose corporate tax payments for each jurisdiction in this section. Regardless, we often find profit/loss before tax as notes in the financial statement, or the numbers of employees in the ESG section, suggesting that crucial components of the GRI 207 framework are already expected and thus disclosed in different settings. Nevertheless, the lack of centralization of tax-related information does increase the complexity. Hence, it requires a higher time commitment and increases the required knowledge to string together different data widely dispersed in many segments and provided for different intentions and audiences.

In addition, for those who provide a CbCR section, our findings are consistent with Brown et al. (2019) regarding the utilization of aggregated geographical zones, which holds even for firms who clearly articulate an excellent understanding of CbCR. The reason for this is not clearly depicted, yet we highlighted that from three examples, the financial performance was not up to par relative to other segments. As Boiral (2013) infers, the exclusion of negative news might be a reason. Accordingly, excluding negative news in a financial accounting setting would be to provide insufficient financial data to stakeholders, making it challenging even for the most knowledgeable audience to determine the financial performance. While the relationship remains uncertain, financial performance and tax contributions are impossible to measure accurately in this setting.

As highlighted in the results & analysis section, financial statements are given at group level, which means that all entities' financial data are available. Nevertheless, they remain undisclosed to the public. To increase future tax transparency performance, firms should decompose the

financial data and allocate it for each tax jurisdiction by a framework. For those who wish to go the extra mile, a separate tax report remains the best form of communication, as evidenced by a much higher average score. Financial statements are a good starting point, but our interpretation would be that this is a short-sighted solution. Tax transparency is just one of many topics sustaining a growing interest from relevant stakeholders. Our concern is that the financial statement might be too cluttered if all expectations are to be fulfilled in this format. One consequence is that it restricts the ease of access to the most knowledgeable audience who knows what to look for and how to maneuver the financial statements. A better proposal would be to be mindful of both sets of expectations from investors and broader stakeholders. By publishing a separate tax document, the reporting organization can incorporate highly technical tax information to match the expectations of a knowledgeable and investor-minded audience, whereas the inclusion of more easily interpreted tax-related information can enforce a reputation of trust with the surrounding communities. Concerning the latter, external measures of social performance, such as social reputation, have been attributed to a reduction of firm risks, which should be of value for investors as well (Sassen, Hinze, & Hardeck, 2016).

In addition, even the firms that were a level above the rest, providing well-articulated frameworks for contextual and tax-related quantitative information, missed two essential disclosures. A commonly perpetuated governing principle for international taxation rights is to *"…tax profits where value is created [to reduce] domestic tax base erosion and profit shifting (BEPS)"* (OECD, 2021). We find the highest performers to do well on the first part but miss the opportunity to legitimize their global operations due to the lack of scoring for requirements tailored to profit shifting. One of the most commonly utilized profit-shifting techniques is intra-group transactions due to both transactions' parties belonging to the same group. However, we find the topic to be missing from most CbCR. In addition, zero companies provide the reason for differences in the income tax accrued and the tax due if the statutory tax rate is applied to profits/loss before tax. As Edwards et al. infer (2020), reasons for a non-proportional relationship might be perfectly valid such as temporary book difference and tax reliefs; however, it might also indicate tax avoidance. These requirements require a very knowledgeable audience to depict its content accurately. However, they are still highly useful for investors who wish to identify if the reporting organization is engaging in aggressive tax planning when assessing the risk of a potential investment.

The GRI 207 framework is not without its flaws. As discussed in the analysis section, most firms receive a full score due to the time period being covered if they fulfill just one disclosure

in the financial statement since these are given annually. The score for this section does not necessarily align with the essence of the *timeliness* principle in the context of CbCR. The potential approach to this could be twofold. The first would be to score as the guidance asserts but reduce the weight to mirror that of recommendations, reducing its importance. The second solution, and probably the most accurate, would be to modify the content so that the principle of timeliness is *only* achieved if the reporting organization provides a separate CbCR report or section in the financial statement. Additionally, while GRI 207 appears to web anything and everything tax-related in the same framework, reporting organizations are yet to adopt the same holistic outlook. This could be considered a weakness in the measure since it does not account for the complexity of expectations from different institutions and in very different formats. The specificity of tax-related information is high across several core areas, and the format fundamentally differs between qualitative and quantitative tax-related information.

Concluding, the most mature areas mirror already initiated tax transparency initiatives such as the UK finance act and the OECD BEPS/EU non-public CbCR. On this ground, we expect to see a rise in stakeholder expectations and higher tax transparency performance in the future with the introduction of the proposed EU public CbCR.

6.2 ESG SCORE AND TAX TRANSPARENCY PERFORMANCE

Our findings suggests that size, profitability, and the percentage of public ownership to be characteristics of the top tax transparency performers. Moreover, these characteristics are interesting since research has shown that they may impact ESG performance. For instance, Velte (2017) notes the same positive correlation between ESG performance and ROA over a five-year period, whereas Ahmad et al. (2021) infers that the financial performance between high-rated firms exceeded that of low-rated firms with *firm size* as a moderating variable.

One possible interpretation is that firms that foster a proactive and highly attentive approach to sustainability practices are the first adopters of tax transparency since the disclosure of tax in a sustainability context remains relatively newfound. It might also suggest that a higher company size or financial performance is an indication of the available resources, time, and expertise. For example, a reduction in compliance cost in the context of sustainability reporting is a benefit that would coincide for both topics. Tax transparency, as measured with this framework, and ESG scores are topics that require an increasing volume of technical and qualitative data. On this ground, the ability to participate and score well in both topics necessitates available resources. This might explain why we find the top tax transparency performers to exhibit the

best average ESG score since they have a significantly larger company size. Profitability is also interesting. The higher profitability for the most transparent companies might be challenging to accurately depict. One possible explanation could be consistent with the findings of Velte (2017). Since the most transparent companies have the best ESG scores, the higher profitability could be associated with the higher ESG scores, which could be explained by a better access to capital to fund growth, effective tools for risk management, and a strong reputational position.

Further, as derived by Bilicka et al. (2021), larger firms might be more pressurized from public scrutiny. With this in mind, the composition of the top performers is of interest. Four of five companies, Equinor, Yara, Norsk Hydro, and Storebrand, are all well-known in the eye of public discourse with long-standing historical ties to Norway. The historical ties can explain the significant size difference accumulated over an extended period. Moreover, this can imply more capacity to engage in ESG and tax transparency. On the other hand, a possible explanation for the higher scores in ESG and tax transparency could be that these firms are more subject to public pressure due to their size, history, and societal position. Derived from this, the same societal mechanisms that have directed these companies toward sustainable activities, as evident by the high ESG score, might assert the same pressure to enhance tax transparency performance. If this assertion holds, this could explain why the middle and bottom sections are lesser in size, which stands in proportion to the average ESG score.

Continuing, we find a higher degree of public ownership to mirror the relationship between profitability and firm size. As proposed in the analysis section, a higher percentage of public ownership can enable the ability to influence through voting rights, board meetings, and general presence. These implications might be intuitive. Nevertheless, we find the mean average of the middle 15 section to be 15%, which is still relatively high. However, the average ESG and tax transparency scores are still noticeably lower than the top performers. Intuitively, one interpretation could be that the ability to influence depends on the percentage of ownership. In this instance, the role of public pressure is also of interest. Possibly, a higher percentage of public ownership may introduce this effect for both parties; companies may be pressured to adopt sustainable practices due to the influence of owners, whereas public owners have to follow high expectations of sustainable conduct exerted by the general public. Public owners are not exempt from the role of public pressure; instead, they might be subject to more pressure since society has a clear set of expectations. Accordingly, the risk of exposure in the context of unfaithful business conduct would reflect poorly on public owners and companies. If we examine this from a different angle, a lower degree of public ownership would suggest a higher

degree of private ownership. Hence the influence of other investors would reduce the ability to influence for public owners as the interest of these groups does not necessarily coincide. This might explain the drop in average ESG score and tax transparency performance, despite the noticeable share of public stake at an average of 15%.

6.3 CONCLUSION AND THE PATH FORWARD

"Is tax transparency associated with a better ESG score?"

For each company segment, we find that the tax transparency performance and the overall ESG scores correspond. In addition, the highest scoring ESG dimension does wary when compared between the company segment of *low*, *middle,* and *high* tax transparency performance. When sorting matrices are utilized, we find that most companies achieve the same ESG and tax transparency rankings. Finally, we find that the highest tax transparency performers have a higher company size, profitability, and a larger stock of public ownership which has been associated with a higher ESG performance in the literature.

To summarize, while our results might suggest that ESG and tax transparency performance are connected, most companies are yet at the point where taxes are conceptualized and articulated as an essential cornerstone of societal contribution in an ESG context. As a result, taxes remain weakly connected to sustainability in the organizational sources. This relationship could be anticipated. ESG has risen to prominence over a longer period of time, enabling reporting organizations and industries to accumulate *know-how* and *best practices* of effective means of communication. Investors have followed suit, redirecting capital to companies that exhibit excellent ESG scores. In contrast, GRI 207 has only been active for one fiscal year and is just one of many voluntary tax transparency regimes. Nevertheless, if tax transparency is to undergo the same transformation, frameworks need to be continuously developed, matured, and understood, whereas higher societal expectations of total tax contribution can accelerate the speed of this journey.

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APPENDIX

Appendix 1: Qualitative scores:

Name of the company	1, a) (i)	1, a) (ii)	1, a) (iii)	1, a) (iv)	2, a) (i)	2, a) (ii)	2, a) (iii)	2, a) (iv)	2, b) (i)	2, c) (i)	3, a) (i)	3, a) (ii)	3, a) (iii)
Aker	0	0	0	0	0	0	0	0	0	0	0	0	0
AKER BP	1	0,5	1	0	1	0	0,5	0	0	0	0,5	0,5	0
Autostore	0	0	0	0	0	0	0	0	0	0	0	0	0
DnB	1	0,5	1	0,5	0,5	0,5	0	0	0	0	0,5	0	0
Equinor	1	0,5	1	0,5	0,5	1	1	0,5	0	0	1	1	0,5
Frontline	0	0	0	0	0	0	0	0	0	0	0	0	0
Gjensidige	1	0,5	1	0,5	1	0	0,5	0	1	0,5	1	0	0
Golden Ocean	0	0	0	0	0	0	0	0	0	0	0	0	0
Kahoot!	0	0	0	0	0	0	0	0	0	0	0	0	0
Mowi	0	0	0	0	0	0	0,5	0	0	0	0	0	0
MPC Container	0	0	0	0	0	0	0	0	0	0	0	0	0
Nel	0	0	0	0	0	0	0	0	0	0	0	0	0
Nordic semiconductor	0	0	0	0	0	0	0	0	0	0	0	0	0
Norsk hydro	1	0,5	1	1	1	0	1	0	1	1	0	1	0,5
Norwegian	0	0	0	0	0	0	0	0	0	0	0	0	0
Orkla	1	1	0,5	0	0	0,5	0,5	0	0	0	0,5	0	0
REC	0	0	0	0	0	0	0	0	0	0	0	0	0
Salmar	0	0	0,5	0	0	0	0	0	0	0	0	0,5	0
Scatec	0	0	0	0	0	0	0	0	0	0	0	0	0
Schibsted	0	0	0	0	0	0	0	0	0	0	0	0	0
Storebrand	1	1	1	1	0,5	0	1	1	0	0	0,5	0	0
Subsea 7	0	0,5	1	0,5	0	0	0	0	0	0	0	0	0
Telenor	0,5	0	1	0	0	0	0	0	0	0	1	0	0
Tomra Systems	0,5	1	0,5	0	0,5	0	0	0	0	0	0	0	0

Appendix 2: Quantitative score mandatory disclosures:

Name of the company	4, a)	4, b) (i)	4, b) (ii)	4, b) (iii)	4, b) (iv)	4, b) (v)	4, b) (vi)	4, b) (vii)	4, b) (viii)	4, b) (ix)	4, b) (x)	4, c)
Aker	0	0	0,5	0,5	0	0	0	0	0	0	0	1
AKER BP	1	0	1	0,5	0	0	1	0	1	0	0	1
Autostore	1	1	0	0	0	0	0	0	0,5	0	0	1
DnB	0,5	0	0	0,5	0	0	0,5	0	0,5	0,5	0	1
Equinor	1	1	0	0	1	0	1	0	1	0	0	1
Frontline	0	0	0	0	0	0	0	0	0	0	0	0
Gjensidige	0,5	0,5	0	1	0,5	0	0	0	0,5	0	0	1
Golden Ocean	0,5	0,5	0	0	0	0	0	0	0	0	0	1
Kahoot!	0,5	0,5	0,5	0	0	0	0	0	0	0	0	1
Mowi	1	1	1	0	0	0	0	0	0	0	0	1
MPC Container	1	1	1	0	0	0	0,5	0	0	0	0	1
Nel	1	1	1	0,5	0,5	0	0,5	0	0	0	0	1
Nordic semiconductor	1	1	1	0	0	0	0	0	0	0	0	1
Norsk hydro	1	1	0,5	1	0,5	0,5	1	0	1	0	0	1
Norwegian	0,5	0,5	0	0	0	0	0	0	0	0	0	1
Orkla	0,5	0	0,5	0,5	0	0,5	0,5	0	0	0	0	1
REC	0,5	0,5	0	0	0	0	0	0	0	0	0	1
Salmar	0	0,5	0	0,5	0	0	0	0	0	0	0	1
Scatec	0,5	0	1	0,5	0,5	0	0	0	0	0	0	1
Schibsted	0,5	1	0	0,5	0	0	0	0	0	0	0	1
Storebrand	1	0	0	0,5	0	0	1	0	1	0	0	1
Subsea 7	0,5	1	0	0	0,5	0	0	0	0	0	0	1
Telenor	0,5	0	0	0,5	1	0	0,5	0	0,5	0	0	1
Tomra Systems	1	1	0	0	0	0	0	0	0,5	0	0	1
Yara	1	1	1	1	0,5	0,5	1	0	1	1	0	1

Appendix 3: Quantitative score recommendations

Name of the company	2.3.1)	2.3.2)	2.3.3)	2.3.4)	2.3.5)	2.3.6)
Aker	0	0	0	0	0	0
AKER BP	1	0	0	1	0	0
Autostore	0	0	0	0	0	0
DnB	0	1	1	0	0,5	0
Equinor	0	0	0	0	0	0
Frontline	0	0	0	0	0	0
Gjensidige	0	0	0	0	0	0
Golden Ocean	0	0	0	0	0	0
Kahoot!	0	0	0	0	0	0
Mowi	0	0	0	0	0	0
MPC Container	0	0	0	0,5	0	0
Nel	0	0	0	0	0	0
Nordic semiconductor	0	0	0	0	0	0
Norsk hydro	0	0	0	0	0	0
Norwegian	0	0	0	0	1	0
Orkla	0	0	0	0	0	0
REC	0	0	0	0	1	0
Salmar	0	0	0	0,5	0	0
Scatec	0	0	0	0,5	0	0
Schibsted	0	0	0	0	0	0
Storebrand	0	1	1	0	0,5	0
Subsea 7	0	0	0	0	0	0
Telenor	0	0	0	0	1	0
Tomra Systems	0	0	0	0	0	0

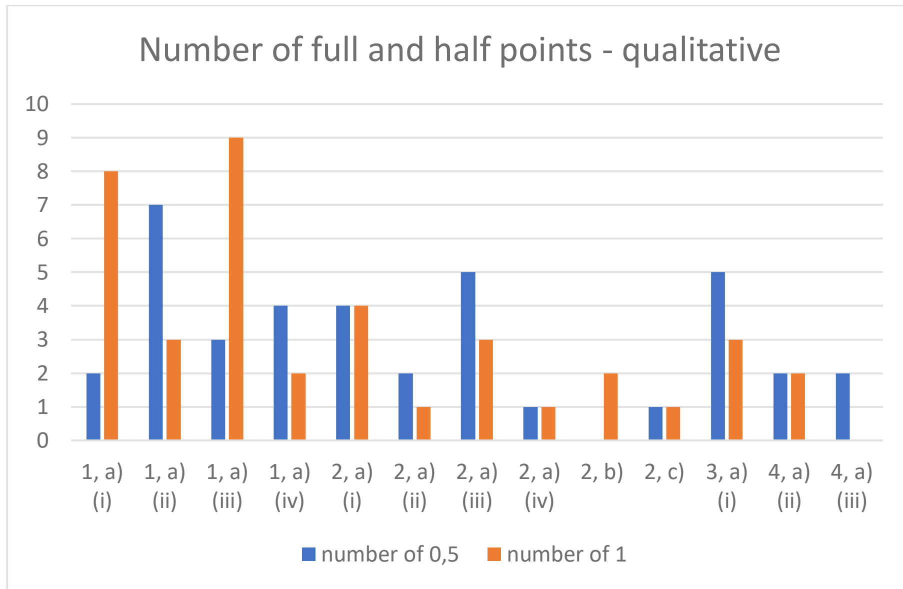
Appendix 4: ESG scores:

Name of the company	ESG	E	S	G
Norwegian	20,24	13,36	19,87	28,34
REC	28,12	27,95	28,20	28,28
Golden Ocean	29,04	34,57	26,34	25,91
Nel	29,64	35,27	37,43	17,02
Aker	33,54	40,88	32,95	23,82
Frontline	34,89	31,59	39,30	32,46
Salmar	53,22	68,49	44,79	50,98
Nordic semiconductor	53,42	55,78	56,20	46,00
Tomra Systems	56,18	39,00	59,50	72,44
Autostore	58,34	35,51	67,54	57,27
Scatec	60,89	49,31	64,10	76,38
Gjensidige	64,90	65,33	61,90	68,27
DnB	67,94	90,89	78,73	43,90
Schibsted	69,00	64,93	77,89	58,65
Telenor	69,08	55,95	67,30	82,70
AKER BP	70,36	60,09	70,56	85,06
Mowi	74,82	61,69	87,81	66,80
Subsea 7	75,50	86,83	74,31	63,97
Equinor	79,03	75,55	75,03	91,27
Yara	80,14	78,27	85,66	74,09
Norsk hydro	86,84	73,99	92,25	96,38
Orkla	91,02	98,09	89,92	85,15
Storebrand	92,59	98,28	92,24	91,19
Kahoot!	N/A	N/A	N/A	N/A
MPC Container	N/A	N/A	N/A	N/A

Appendix 5: Industry segment

Industrial	Energy	Financial	Tech og Communications	Materials	Consumer
Aker	Aker BP	DNB	Kahoot!	Norsk Hydro	Mowi
Autostore	Equinor	Gjensidige	Nordic Semiconductor	REC	Norwegian
Golden Ocean	Frontline	Storebrand	Schibsted	Yara	Orkla
MPC Container	Scatec		Telenor		Salmar
NEL	Subsea 7				
Tomra Systems					

Appendix 6: Qualitative, full and partial coverage



Appendix 7: Quantitative, full and partial coverage