

To the Romanian Government

In the attention of Prime Minister Florin Cîțu,

Minister of Justice, Stelian Ion,

Minister of Finances Alexandru Nazare

Subject: Supporting an ambitious outcome in public country-by-country reporting triologue negotiations.

We, the undersigned civil society organisations, are writing to you regarding the ongoing triologue negotiations on public country-by-country reporting (CBCR) legislation, to urge you to defend meaningful transparency and ensure that provisions are not watered down during this process.

We believe that the EU can set an important standard on corporate transparency with this proposal, but only if real country-by-country information is made public. **This means disclosure of companies' financial information for all countries of operation on a country-by-country basis.** As you know, the European Commission's proposal and the current Council's compromise text require multinational companies to disclose disaggregated data *only* for EU Member States and countries on the EU list of non-cooperative jurisdictions. This element of negotiations will decide if the EU delivers real and effective transparency, or a Directive that is public country by country reporting by name but not in practice.

The socio-economic crisis caused by the Covid-19 pandemic has made the fight against large-scale corporate tax avoidance even more vital and urgent. Effective measures to combat this problem, which costs our societies billions of Euros in lost tax income every year, are an essential step on the road to a sustainable recovery. Public CBCR can be a strong tool against corporate tax avoidance, but **only if corporations are obliged to disclose information on a country-by-country basis for all countries of operation.** Any limitations to the geographic scope and disaggregation of reporting fundamentally undermines the objective and effectiveness of this important corporate transparency proposal.

The currently envisaged limitations to the reporting would provide an incomplete picture of large multinational corporations' practices, entirely undermining the value of the public CBCR data and increasing the risk for misinterpretation. This limited approach could provide a perverse incentive for large multinationals to restructure some activities outside the EU to avoid reporting obligations, whereas full public CBCR will concretely contribute towards a fairer playing field for small and medium enterprises. Full public CBCR would also ensure that developing countries can access CBCR data that includes information about large multinationals' activities in their countries, addressing the problem of unequal access to information of non-public CBCR data through the current exchange of information systems.

Times have significantly changed since the first impact assessment was conducted and the European Commission tabled its proposal back in 2016. Last year, the world's largest voluntary sustainability reporting body, the Global Reporting Initiative (GRI), adopted a new standard introducing public CBCR for all reporting companies. Investors with trillions of euros of assets called on the OECD to align its own standard with the technically superior GRI standard, confirming the importance of this data for wider stakeholders. At the same time, the

EU's own positive experiences from the existing mandatory public CBCR requirements for the banking sector have demonstrated the beneficial effects and allayed concerns about the impact of this important transparency measure.

We strongly believe that Romania and other EU governments that have supported the legislation can facilitate progress on the file by highlighting to the current Presidency of the EU Council how the current context has changed, that relevant stakeholders' calls for real transparency have significantly increased and that public CBCR with global disaggregation has already proven to be successful. This was not the case six years ago, when the European Commission's impact assessment was conducted. European citizens and civil society organisations will not be able to welcome and support a legislation that does not include this one crucial element.

The EU has previously played an important leadership role in corporate transparency, and such leadership is needed now more than ever. Responsibility now lies with supportive Member States to ensure that the current Presidency of the EU Council reaches an ambitious agreement with the European Parliament to achieve real public CBCR that would oblige companies to report in all countries of operation.

We believe that Romania could be part of a group of countries in defence of real public CBCR and join Netherlands, Lithuania and Denmark in calling for global disaggregation. We trust that, with your support, a qualified majority on real public CBCR could be achieved and we, civil society organisations and trade unions, will continue to mobilise all our efforts in the next months at this purpose. We hope that we can count on your cooperation.

Yours sincerely,

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