LAW360 Tax Authority

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Cisco Shareholders Vote Against Tax Transparency Plan

By **Kevin Pinner**

Law360 (December 8, 2022, 5:14 PM EST) -- Cisco's shareholders voted against a proposal to publicly report information on workers, payroll, revenue, profits and taxes paid in each country where the company operates by a preliminary margin of 73% during its annual meeting Thursday, the company announced.

The California-based technology conglomerate was the first U.S. company seen to have **skipped a legal challenge** to such a proposal, although it had advised shareholders in its **proxy statement** to reject the plan on the grounds it would hurt business operations.

Séamus Finn, who presented the proposal — and backed a similar one at Amazon that was **defeated in May** — said that despite the result, he found the level of support among shareholders encouraging.

"Since it appears that we have achieved at least a 20% vote in favor of our tax transparency resolution, as we did with Amazon earlier this year, I am encouraged that other shareholders in the company are recognizing the importance of access to this kind of data," said Finn. He directs investments for the trust of Missionary Oblates of Mary Immaculate.

For Finn, who presented **the Cisco proposal** on behalf of his organization, the Greater Manchester Pension Fund and the Milan-based Etica Funds, the vote portends more shareholders favoring greater accountability "as countries around the world wrestle with so many tremendous social and environmental challenges."

Cisco told shareholders in its proxy statement that the proposal would have forced "disclosure of competitively sensitive information about our operations and cost structures, and would hamper our ability to make operational decisions."

"We believe this information is neither useful nor informative to our investors," Cisco said.

The company did not respond to a request for further comment.

As Finn pointed out to investors, large multinationals such as Cisco have for years privately reported the type of country-by-country tax data requested in the proposal to national tax authorities, in line with guidance from the Organization for Economic Cooperation and Development.

The OECD "considered whether to make country-by-country information public, and decided against it to protect the confidentiality of potentially sensitive information," Cisco said.

The company said it's required to disclose U.S. federal, state and foreign taxes paid in disclosures to the U.S. Securities and Exchange Commission and that its website contains information on its tax strategy. The company's SEC disclosures show it paid 18.4% of its world profits, amounting to $2.7 billion, toward corporate income tax expenses, Cisco's statement said. It further said the company "only takes tax positions that are reasonable and defensible under the tax law."

Microsoft, likewise, is **expected** to hold a vote on a tax transparency plan during its annual meeting Tuesday. Exxon Mobil, Chevron and ConocoPhillips all saw similar proposals **filed** this year as well.

Each proposal has asked the companies to follow the Global Reporting Initiative's tax standard, which, along with country-by-country reporting, requires details on a company's approach to tax, tax governance, risk management and stakeholder engagement.

In September, the SEC's chair **said** the agency was considering new disclosure requirements for public country-by-country reporting. In October, Australia's government **debuted plans** to become the first country with public country-by-country reporting on a global basis.

--Editing by Aaron Pelc.