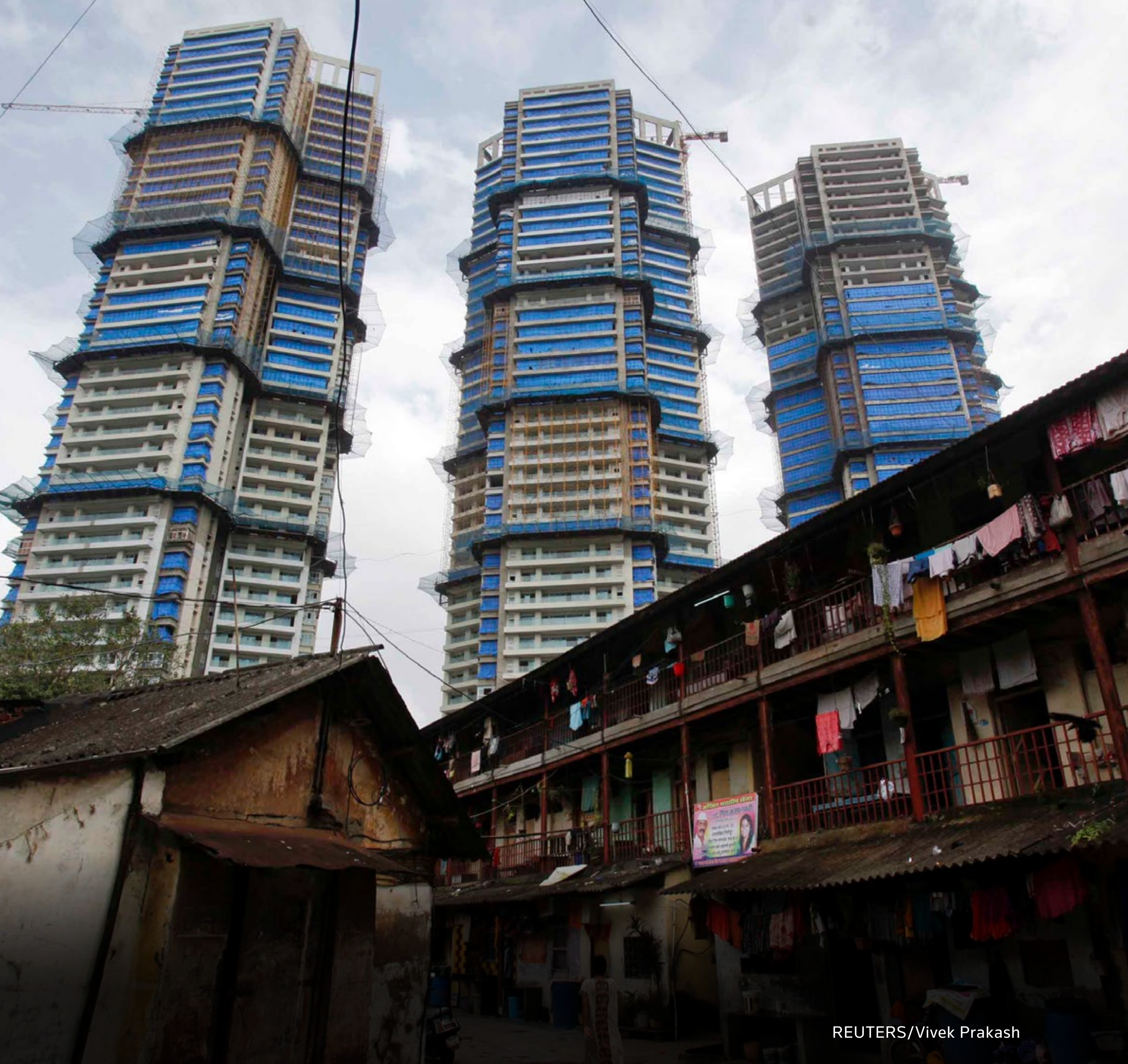

MANDATORY INEQUALITY-RELATED CORPORATE DISCLOSURE: THE STATE OF PLAY ACROSS TEN JURISDICTIONS

September 2024

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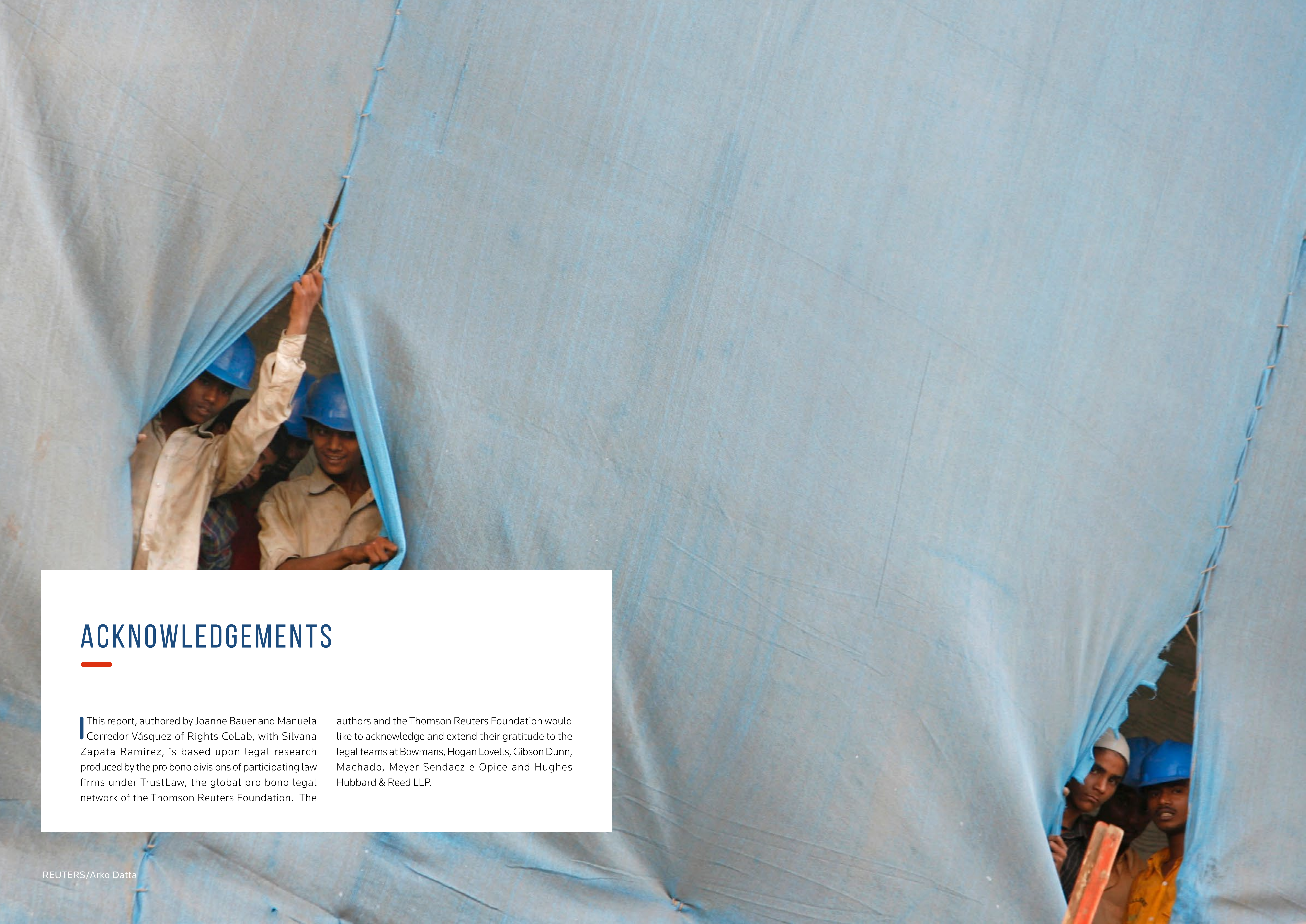

ACKNOWLEDGEMENTS

This report, authored by Joanne Bauer and Manuela Corredor Vásquez of Rights CoLab, with Silvana Zapata Ramirez, is based upon legal research produced by the pro bono divisions of participating law firms under TrustLaw, the global pro bono legal network of the Thomson Reuters Foundation. The authors and the Thomson Reuters Foundation would like to acknowledge and extend their gratitude to the legal teams at Bowmans, Hogan Lovells, Gibson Dunn, Machado, Meyer Sendacz e Opice and Hughes Hubbard & Reed LLP.

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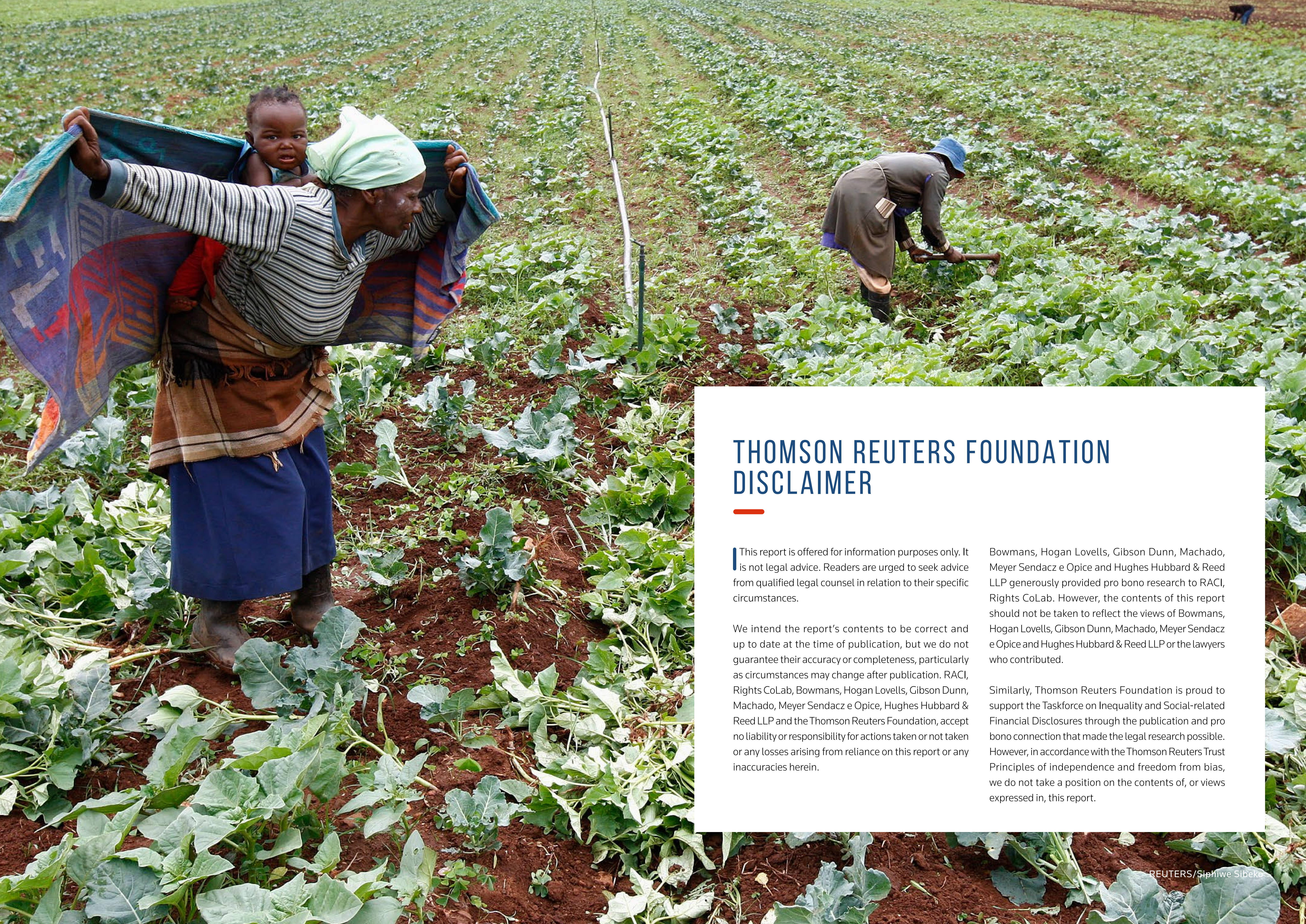

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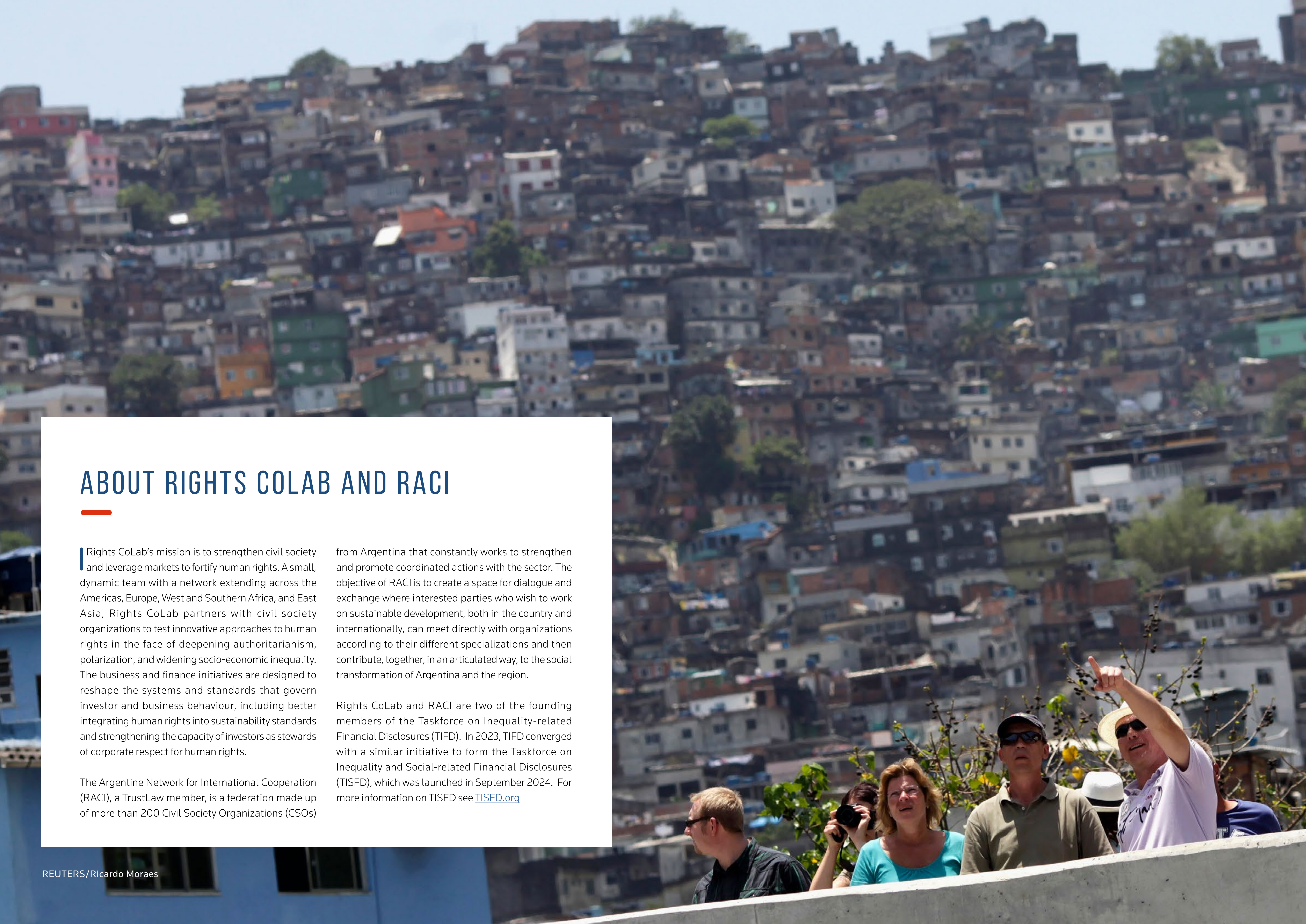
Similarly, Thomson Reuters Foundation is proud to support the Taskforce on Inequality and Social-related Financial Disclosures through the publication and pro bono connection that made the legal research possible. However, in accordance with the Thomson Reuters Trust Principles of independence and freedom from bias, we do not take a position on the contents of, or views expressed in, this report.



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Rights CoLab's mission is to strengthen civil society and leverage markets to fortify human rights. A small, dynamic team with a network extending across the Americas, Europe, West and Southern Africa, and East Asia, Rights CoLab partners with civil society organizations to test innovative approaches to human rights in the face of deepening authoritarianism, polarization, and widening socio-economic inequality. The business and finance initiatives are designed to reshape the systems and standards that govern investor and business behaviour, including better integrating human rights into sustainability standards and strengthening the capacity of investors as stewards of corporate respect for human rights.

The Argentine Network for International Cooperation (RACI), a TrustLaw member, is a federation made up of more than 200 Civil Society Organizations (CSOs) from Argentina that constantly works to strengthen and promote coordinated actions with the sector. The objective of RACI is to create a space for dialogue and exchange where interested parties who wish to work on sustainable development, both in the country and internationally, can meet directly with organizations according to their different specializations and then contribute, together, in an articulated way, to the social transformation of Argentina and the region.

Rights CoLab and RACI are two of the founding members of the Taskforce on Inequality-related Financial Disclosures (TIFD). In 2023, TIFD converged with a similar initiative to form the Taskforce on Inequality and Social-related Financial Disclosures (TISFD), which was launched in September 2024. For more information on TISFD see TISFD.org

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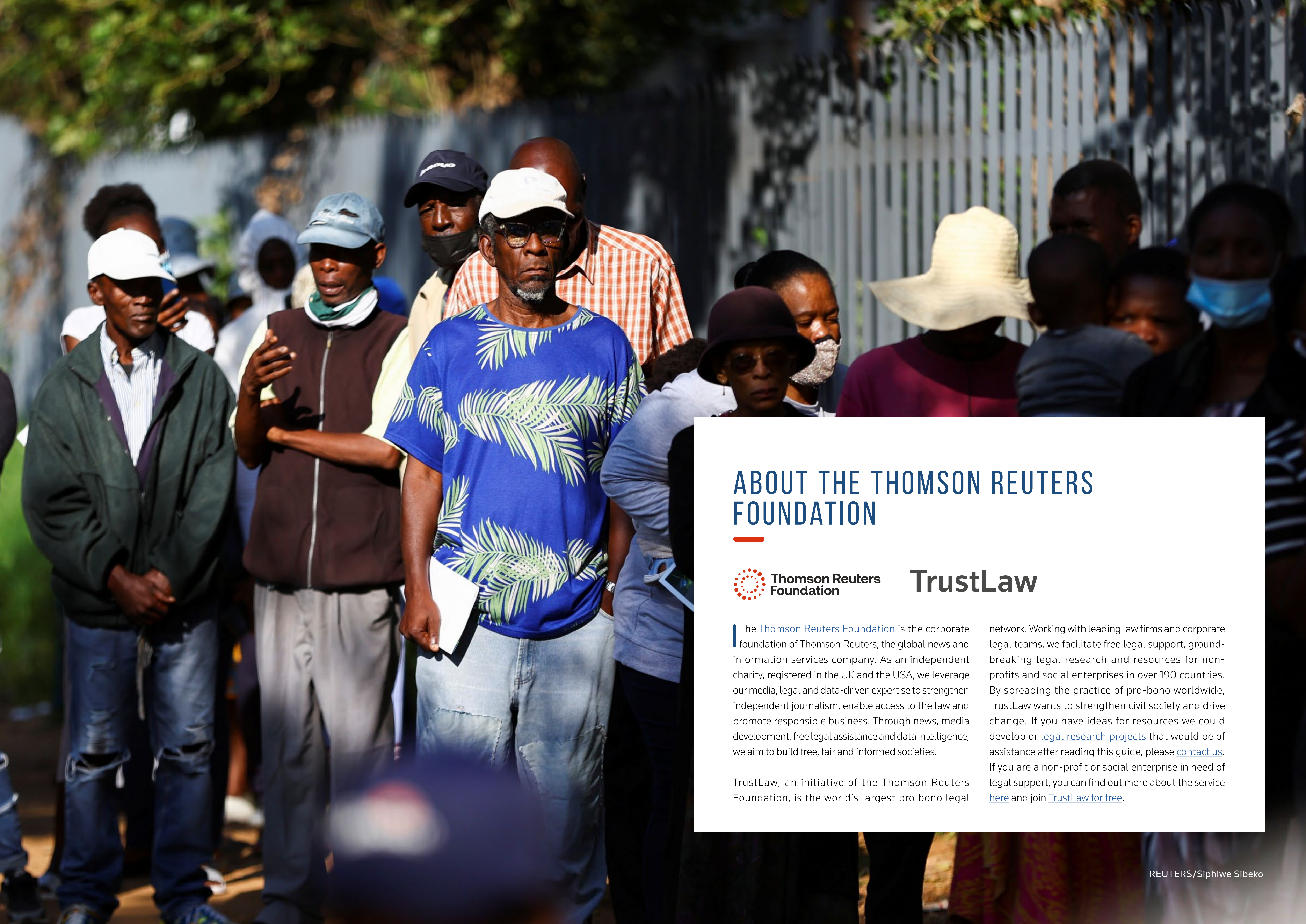

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FOREWORD

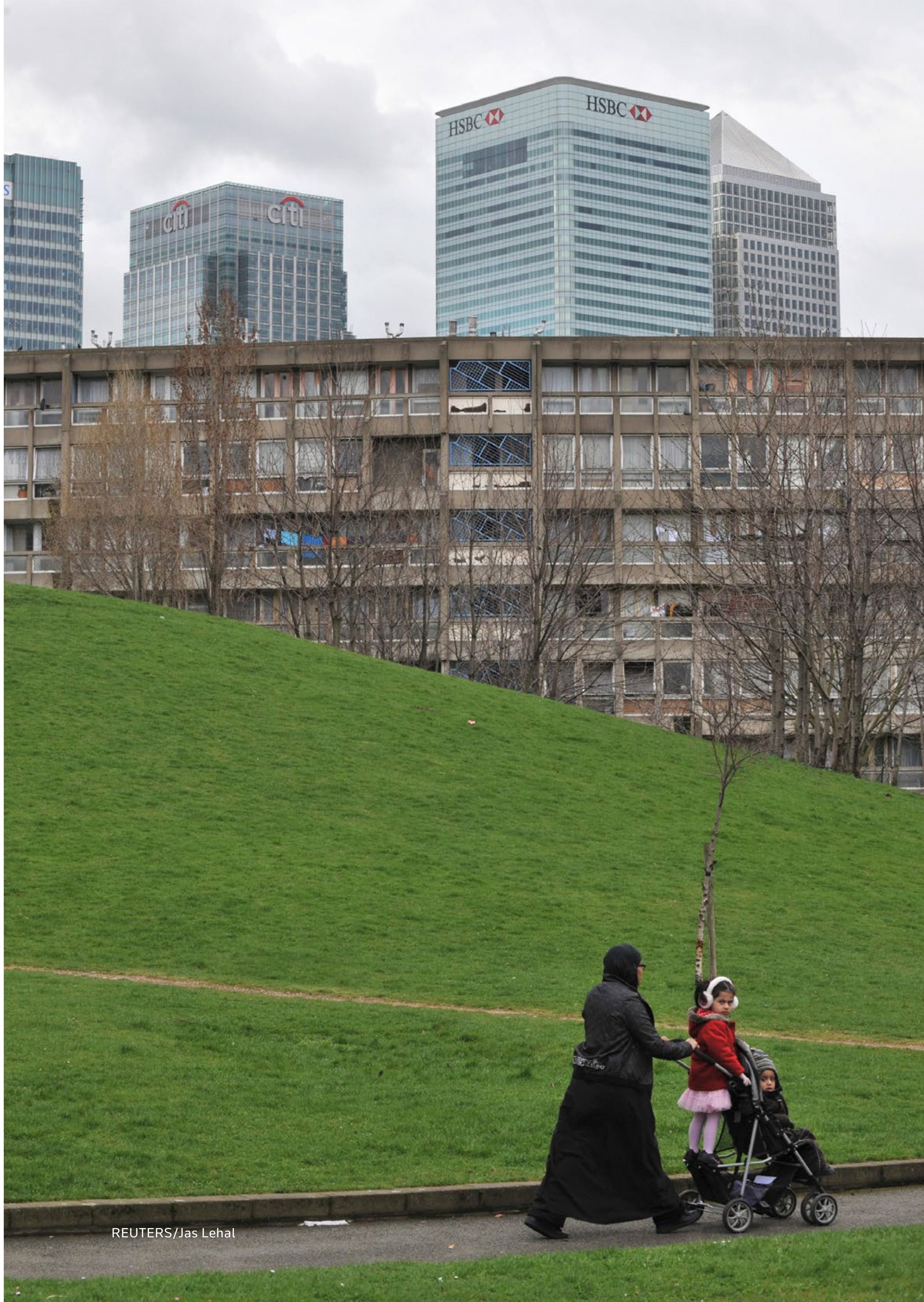
In an era of precarious employment and widening socio-economic gaps, the fragility of our global economy cannot be understated. Low wages, zero-hour contracts, and the lack of fundamental benefits disproportionately affect marginalized groups, hindering wealth-building for women and racial minorities. This not only exacerbates existing inequalities but also triggers a domino effect of unpaid debts, investor losses, and increased reliance on government support.

At the Thomson Reuters Foundation, we recognize the pivotal role that legal frameworks play in fostering inclusive economies and more responsible business practices. Through TrustLaw, our global pro bono legal network, we know the transformative power of providing access to legal research and expertise. By connecting founding partners of the Taskforce on Inequality and Social-related Financial Disclosures – Argentine Network for International Cooperation (RACI) and Rights CoLab - with leading legal experts, we are proud to have contributed to this comparative legal analysis aimed at understanding the laws and regulations that tackle inequality in the private sector across significant global economies.

This report examines legal frameworks across multiple jurisdictions—including Brazil, China, Mexico, Germany, the United States, South Africa, the UK, Singapore, India, and Hong Kong—to understand how each country addresses issues like gender and racial diversity, pay equity, and board diversity in corporate reporting. The objective is to highlight the key gaps and variations in how countries approach inequality-related disclosures, thereby providing valuable information for the development of more consistent and comprehensive standards for future reporting.

This analysis is intended to lay the groundwork for the Taskforce to help businesses, investors and regulators to better understand and manage the risks of socio-economic inequality, aiding in the creation of a financial ecosystem that is not only stable but also just and inclusive for all. We are proud to leverage the power of pro bono in support of this worthy goal and are grateful to our legal partners – Bowmans, Hogan Lovells, Gibson Dunn, Machado, Meyer Sendacz e Opice and Hughes Hubbard & Reed LLP – who generously donated their time and expertise to make this report possible.

Carolina Henríquez-Schmitz
Director at TrustLaw, Thomson Reuters Foundation



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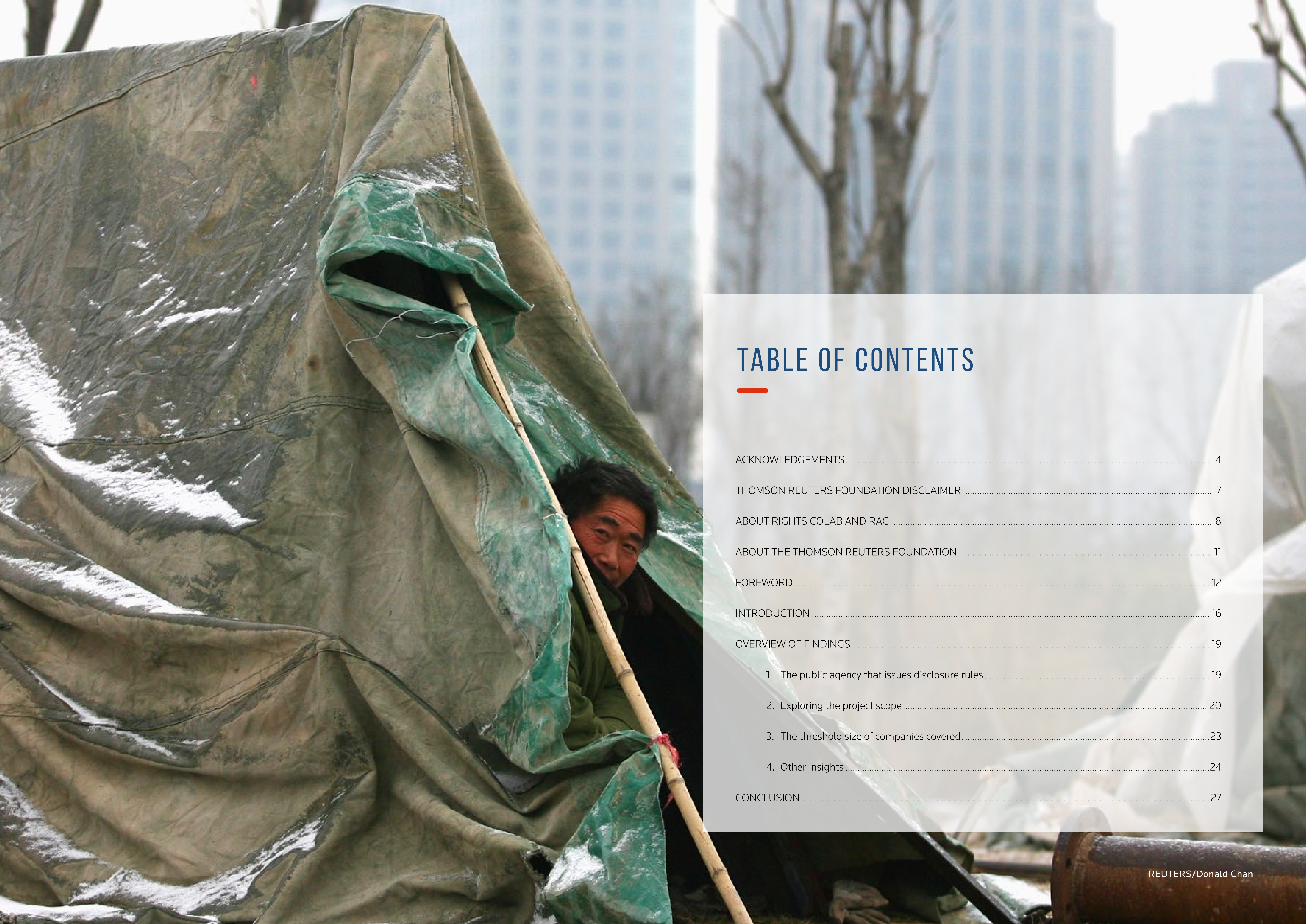

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INTRODUCTION

Today, growing socio-economic inequality within countries is widely regarded as a risk to the financial system. It burdens already economically vulnerable populations and threatens the stability of the global economy and financial markets. Regulators and investors are increasingly concerned, yet they lack the tools needed to account for inequality-related risks in investment decisions. To address this gap – and in recognition of the successful uptake of the first systems-level risk management framework, the Task Force on Climate-related Financial Disclosures (TCFD) – in 2020 diverse stakeholders began to come together to collaborate in creating a Task Force on Inequality-related Financial Disclosures (TIFD).

In 2023, the Interim Secretariat of TIFD partnered with other organizations preparing for the launch of a Taskforce on Social-related Financial Disclosures (TSFD) to collectively launch a Taskforce on Inequality and Social-related Financial Disclosures (TISFD). The purpose of the Taskforce, which launched in September 2024, will be to strengthen the development of financial disclosures regarding inequality and social-related issues. It seeks to meet the distinct needs of providers of capital, companies, regulators, and civil society and labor organizations to assess material financial risk to enterprises as it relates to inequality and social issues, strengthen the stability of financial systems, evaluate, and tackle the system-level risks posed by inequality, and improve outcomes for people, in particular those who are marginalized or disadvantaged.[1]

Prior to the evolution of TIFD as TISFD, in 2022 TrustLaw - the Thomson Reuters Foundation's global pro bono service - partnered with the TIFD Interim Secretariat by mobilizing its network of law firms to produce pro bono legal research on existing private sector disclosure laws and regulations related to socio-economic inequality across 10 jurisdictions. The jurisdictions are significant global markets spanning the Global North and Global South: Brazil, China,[2] Germany, Hong Kong, Mexico, India, South Africa, the United Kingdom (UK), the United States of America (U.S.), and Singapore.[3] Identifying the inequality-related disclosures that are already legally mandated in key Global North and Global South markets provides a valuable resource for the forthcoming Taskforce.

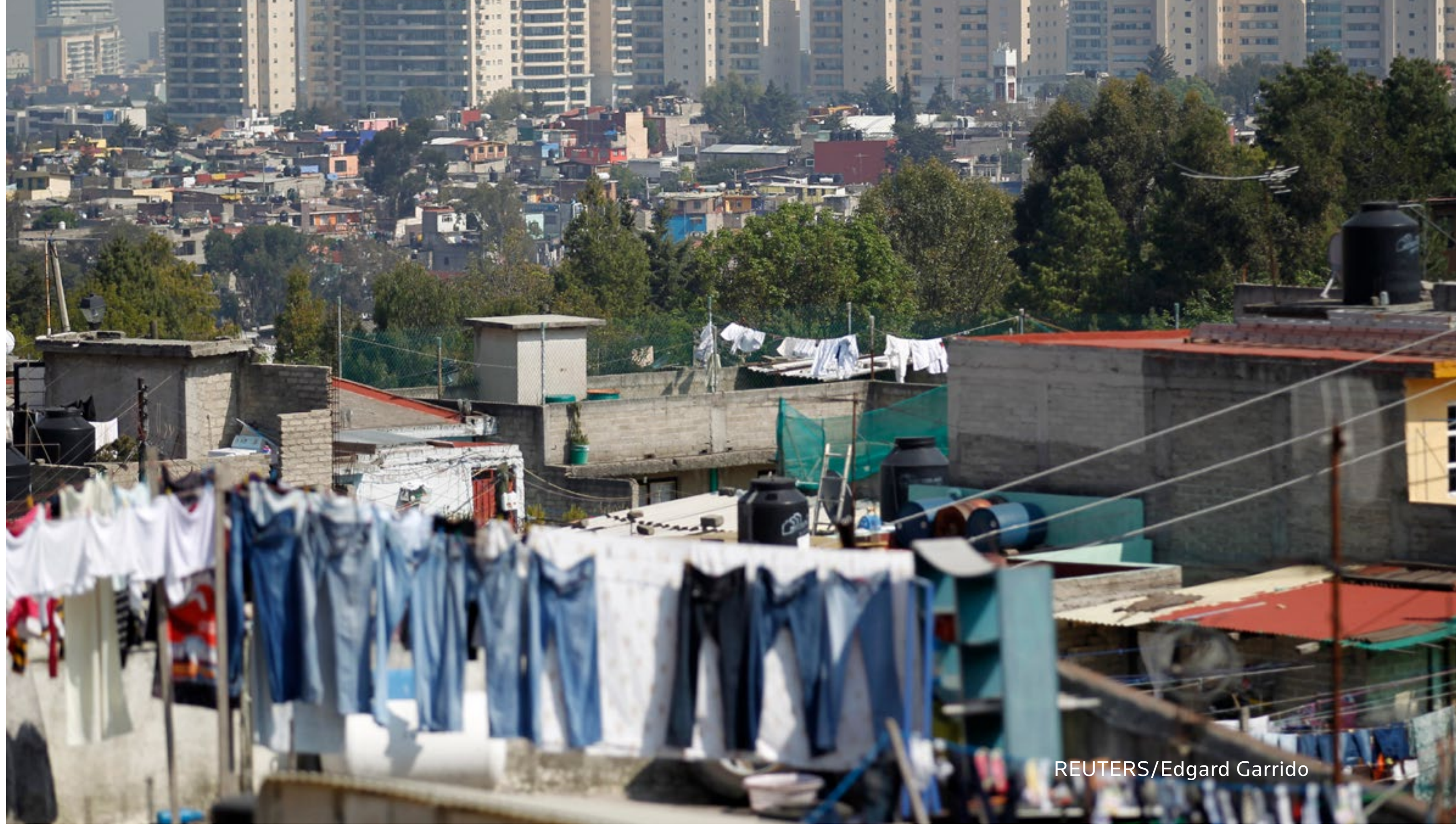
In their project reports, the country pro bono legal teams indicate the presence or absence of corporate disclosure laws and regulations pertaining to *horizontal inequality* (i.e., disparities between dominant and marginalized groups, such as women, indigenous peoples, migrants, LGBTQ+, racial/ethnic minorities, etc.) and *vertical inequality* (i.e., wealth and income disparities), and provide a description of each law or regulation. The descriptions include: the businesses that the law applies to; the specific disclosure topics; and how a company should report under the law. The reports also assess relevant voluntary codes or disclosure guidance.

In addition, the legal research teams noted the presence or absence of the following provisions within the identified laws and regulations:

1 From September 2021-June 2023 the TIFD initiative was led by an Interim Secretariat that includes the Argentine Network for International Cooperation (RACI), Predistribution Initiative (PDI), Rights CoLab, Southern Centre for Inequality Studies (SCIS), and United Nations Development Programme (UNDP).The proposal to create a TSFD was initiated by Business for Inclusive Growth (B4IG) coalition together with its strategic partner, the OECD. In early 2024, additional investor, civil society, labor, and business groups joined to form a 25-member Working Group, with a mandate to prepare the launch of the Taskforce in 2024. For more on TISFD, see http//tisfd.org.

2 China means the People's Republic of China, but for the purposes of this report, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

3 In recognition of the Law Firms and teams for completing the countries' reports: Brazil (Machado Meyer, who acted as coordinating Law Firm), China (Gibson, Dunn & Crutcher LLP), Germany (Hogan Lovells), Hong Kong (Hogan Lovells), India (ASM Law Offices), Mexico (Hogan Lovells), South Africa (Bowmans), United Kingdom, United States (Hughes Hubbard & Reed LLP), and Singapore (Gibson, Dunn & Crutcher LLP).



(i) Any references to the European Union's Non-Financial Reporting Directive (NFRD) to gain insight into whether this early effort to push for mandatory social sustainability reporting provided legal impetus.[4]

(ii) Any references to a company's supply chains, since many operational and legal risks related to harms to vulnerable workers and communities are located in them.

(iii) Any references to the informal economy, and a description of their content and approach. Informal workers comprise as much as 50% of the workforce in the Global South, making it a salient topic for a taskforce addressing inequality-related disclosures for global operations.

(iv) Any references to corporate tax avoidance within inequality-related disclosure laws or regulations. Tax justice and human rights advocates argue that tax avoidance has a direct effect on socio-economic inequality.[5]

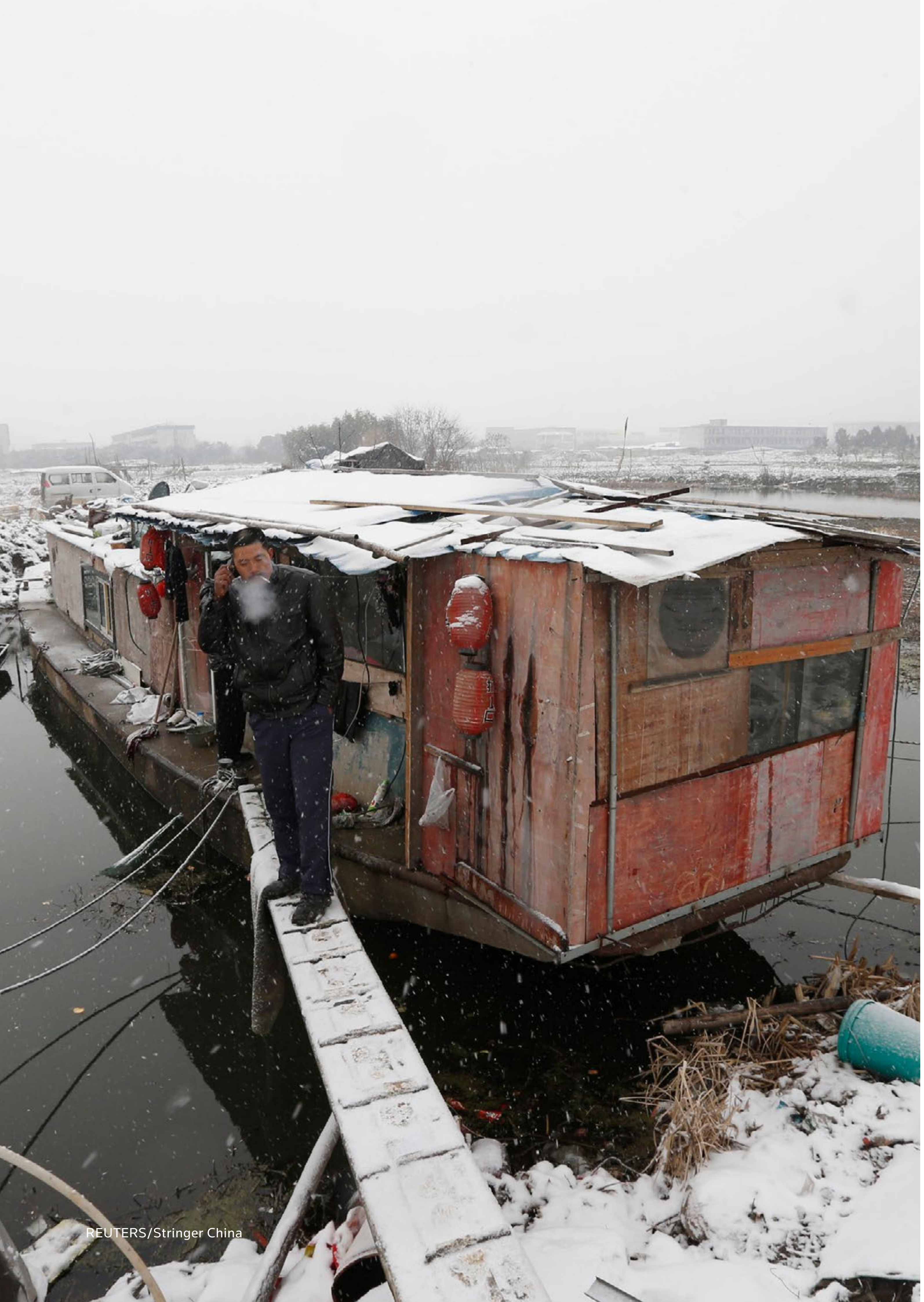
A cross jurisdictional assessment of the findings follows.

Disclosure rules on sustainability issues in general and inequality in particular is a growing area, as more jurisdictions in the Global North and Global South beyond those covered in this report are adopting similar mandating reporting provisions.[6] Moreover, the EU's Corporate Sustainability Reporting Directive (CSRD), which came into force in January 2023, is now being transposed into law. This development will change the legal framework in Germany described in this report.

4 Today, there are other emerging influential standards that could be reference points for national disclosure laws - such as the EU's Corporate Sustainability Reporting Directive (CSRD), which entered into force in January 2023 and replaces the NFRD and the global baseline that the IFRS Foundation's International Sustainability Standards Board (ISSB) has set out to create. It is notable that the latter will have law-like status through the backing of security regulators.

5 "Inequalities and Democracy and Human Rights," Tax Justice Network, https://taxjustice.net/topics/inequalities-and-democracy-and-human-rights/; "Inequality and poverty: the hidden costs of tax dodging," OXFAM International, https://www.oxfam.org/en/inequality-and-poverty-hidden-costs-tax-dodging; Andres Knobel and Alex Cobham, "Country by Country Reporting: How Restricted Access Exacerbates Global Inequalities in Taxing Rights," Tax Justice Network, December 2016, https://www.taxjustice.net/wp-content/uploads/2016/12/Access-to-CbCR-Dec16-1.pdf

6 "Countries Affected by Mandatory ESG Reporting – Here's the List," Worldfavor, accessed April 9, 2024, https://blog.worldfavor.com/countries-affected-by-mandatory-esg-reporting-here-is-the-list.



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OVERVIEW OF FINDINGS

Across all ten jurisdictions, we find socio-economic inequality-related disclosure requirements, including both mandatory and voluntary requirements, with variation along three dimensions: 1) the public agency that issues the regulation or requirement; 2) the topics; and 3) the threshold size of the entities in scope of disclosure requirements.

1. THE PUBLIC AGENCY THAT ISSUES DISCLOSURE RULES

In six out of the ten jurisdictions – Brazil, China, Hong Kong, India, Singapore, and the U.S. – the stock exchange issues regulations on corporate disclosures. In each jurisdiction, the socio-economic inequality disclosure requirements are in line with national or federal policies on the promotion of equality.

In **Brazil**, the Securities and Exchange Commission known as Comissão de Valores Mobiliários, or CVM, requires inequality-related disclosure requirements imposed on "Category A" companies.[7]

In **China**, regulations for the Shanghai Stock Exchange and the Shenzhen Stock Exchange, revised in December 2023, require certain listed companies to produce a social responsibility report. The reports must include information on "protection of employees," environmental pollution, product safety, and community relations, among other topics related to a company's effort to mitigate inequality. Companies within scope are required to issue social responsibility reports simultaneously with their annual financial reports.[8] Moreover, starting on May 1, 2024, Shanghai Stock Exchange, Shenzhen Stock Exchange, and Beijing Stock Exchange require annual disclosure on inequality topics in the form of social responsibility report for certain companies listed on Shanghai Stock Exchange 180 Index, Shanghai Stock Exchange STAR 50 Index, Shenzhen Stock Exchange 100 Index and ChiNext Index, companies listed on Beijing Stock Exchange, and companies that are dual-listed domestically and overseas.[9]

In **Hong Kong**, The Stock Exchange of Hong Kong Limited (HKEx) requires disclosure on socio-economic topics for companies listed on the HKEx.

In **India**, in 2021 the Securities and Exchange board of India (SEBI) issued the Circular[10] requiring listed companies to issue a Business and Sustainability Report, which must include disclosures on their performance against the nine principles of the National Guidance on Responsible Business Conduct, including disclosures on gender and social diversity.

In **Singapore**, the Mainboard Rules and the Catalist Rules of the Singapore Exchange Securities Trading

7 Brazil Report: "In Regulation No. 80, Section 3, there are two categories of securities issuers: the companies under Category 'A' are allowed to negotiate any of their securities on regulated securities markets, while those listed as Category 'B' are not allowed to sell shares, share certificates, or securities that can be converted into such. As a result, companies listed under category B are subject to fewer disclosure requirements."

8 Chapter 8 of both Shanghai Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 1 - Standardized Operation (Revised in December 2023) and Shenzhen Stock Exchange Listed Companies Self-Regulatory Guidelines No. 1 - Standardized Operation of Main Board Listed Companies (Revised in December 2023).

9 Shanghai Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 14 – Sustainability Development Report (Trial Version), Shenzhen Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 17 – Sustainability Development Report (Trial Version), and Beijing Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 11 – Sustainability Development Report (Trial Version).

10 Securities and Exchange board of India (SEBI), Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 on May 10, 2021

Limited (SGX-ST) require listed companies to disclose socio-economic topics in their annual reports and sustainability reports.

In the **U.S.**, in 2021 the Securities and Exchange Commission (SEC) approved rule changes, originally proposed by Nasdaq Stock Market LLC, which require publicly listed companies on Nasdaq to disclose diversity statistics regarding their board of directors, and to provide an explanation if certain diversity goals are not reached (item 407(c)(2)(vi)). Following a series of legal challenges[11] the SEC is expected to take up the proposals in October 2024.

In the UK, Germany, and South Africa, financial regulators and/or lawmakers set corporate disclosure requirements related to socio-economic inequalities:

In the **UK**, financial regulators require all companies that have premium listings[12] on the Main Market of the London Stock Exchange to demonstrate adherence to the Listing Rules. The Listing Rules require that all listed companies include in their annual report an accounting of how they have complied with the Corporate Governance Code, which sets out reporting requirements on socio-economic related topics.

In **Germany**, the Transparency Wage Structures Act 2017, and the German Commercial Code, as amended, require companies to disclose pay and employee structures disaggregated by gender, and to specify the target proportion of women on management levels respectively.

In **South Africa**, corporate disclosures on inequality-related topics are set out under Chapter III of the Employment Equity Act No. 55 of 1998.

2. EXPLORING THE PROJECT SCOPE

Below we highlight the socio-economic inequality-related topics - for horizontal inequality and for vertical inequality -- that the jurisdictions require or encourage companies to address.

2.1. Horizontal Inequality:

In eight of the jurisdictions -- Brazil, China, Germany, Hong Kong, India, Singapore, the UK, and the U.S. -- entities are required to report on workforce representation, including on boards and within senior management, of all employees in general or specified marginalized groups, typically for gender and/or race/ethnicity. For the other three jurisdictions, corporate disclosures based on gender and race/ethnicity are voluntary. And, with the exception of India, as explained below, for all other jurisdictions, corporate disclosures on indigenous peoples, migrants, religion, sexual orientation, or disability, are voluntary.

In **Brazil**, CVM Resolution No. 59 requires "Category A" companies to disclose their workforce composition itemized per self-declared gender identity and race/ethnicity. Resolution No. 59 also requires that both Categories "A" and "B" companies report workforce composition by gender and race/ethnicity of their board of directors, statutory and non-statutory executive board, and fiscal council.

In **China**, beginning May 1, 2024 the Shanghai Stock Exchange, the Shenzhen Stock Exchange, and the Beijing Stock Exchange require companies listed on Shanghai Exchange 180 Index, Shanghai Stock Exchange STAR 50 Index, Shenzhen Stock Exchange 100 Index and ChiNext Index, companies listed on the Beijing Stock Exchange, and those that are dual-listed domestically and overseas to include gender and age composition of current employees in their sustainability development reports.[13]

In **Germany**, the German Commercial Code (HGB) requires that specified companies[14]issue a corporate governance statement in the management report, which must include the ratio of women in the workforce and management roles and a description of the "diversity concept" pursued by the company in the composition of the management and supervisory boards.

In **Hong Kong**, companies listed on the HKEx are required to disclose on an annual basis the gender ratio of their workforce, including senior management and board members, as well as any policies and plans for achieving greater gender diversity. To promote gender equality, the HKEx requires that executive boards are composed of members of not only one gender. In addition, for companies incorporated in Hong Kong and listed on the HKEx (the "Hong Kong Companies"), Accounting Bulletin 5 requires disclosure of employees' recruitment policies on an annual basis, which are expected to include if the company has given due consideration to ethnicity/race in its hiring process.

In **Singapore**, the Mainboard Rules and the Catalist Rules of the SGX-ST require listed companies to maintain a board diversity policy that addresses gender, skills and experience, and any other relevant aspects of diversity. A listed company must also describe in its annual report its board diversity policy, including (i) the company's board diversity targets; (ii) plans and timelines to achieve such targets; (iii) progress towards achieving the targets within the timelines; and (iv) a description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the company. When announcing the appointment of key persons, the Mainboard Rules and the Catalist Rules also require listed companies to comment on how board diversity considerations have been taken into account.

In the **UK**, the Listing Rules LR 9.8.6R(9) and LR 14.3.33R(1), as amended in April 2022, require listed companies, as an ongoing obligation, to include a statement in their annual financial reports setting out whether they have met specific board diversity targets on a "comply or explain" basis.

The Listing Rules include the following diversity-related requirements for the composition of the boards: At least one member of the issuer's board comes from a minority ethnic background; there is at least 40% female board composition; and at least one of the senior board member positions (Chair, Chief Executive Officer, Senior Independent Director, or Chief Financial Officer) shall be a woman. Moreover, the non-legally binding Corporate Governance Code (UK's CGC) introduced in July 2018 by the Financial Reporting Council and updated in January 2024, stipulates that issuers must disclose in their annual reports their commitments on diversity and inclusion and on gender balance of senior management and direct workforce.

In the **U.S.**, the Equal Employment Opportunity Commission (EEOC) requires that (a) private employers with 100 or more employees, (b) private employers with fewer than 100 employees that are owned by, and/or affiliated with another employer or are under common ownership or control with a group of employers that together constitute an enterprise with 100 or more employees, and (c) subject to certain exceptions and qualifications, federal contractors with 50 or more employees and at least $50,000 in contracts, each file annual EEO-1 reports. These reports summarize employee headcount by race/ethnicity, gender, and job category. Since 1966, the EEOC has used the EEO-1 form to collect workforce demographic information. "In 2016, the EEOC added a pay data collection to the EEO-1 form for the first time, known as 'Component 2.' The EEOC collected 2017 and 2018 pay data from private employers through the EEO-1 Component 2 between July 2019 and February 2020."[15] In 2019, the EEOC, with the White House approval, voted to discontinue the EEO-

11 The rule continues to face legal challenges but was subsequently upheld by the Fifth Circuit Court of Appeals. Opponents have responded to the ruling by filing a petition for rehearing, which as of the date of this publication, is pending a hearing. Should the petition for rehearing be denied, opponents could seek appeal to the U.S. Supreme Court.

12 The UK has a two-tiered listing regime: standard listing or premium listing. Premium listed shares are subject to a higher degree of regulation than shares that are listed on a standard basis, and they must be listed in compliance with additional requirements as set out in LR 6 of the Listing Rules (Additional Requirements for premium listing (commercial company)).

13 Shanghai Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 14 – Sustainability Development Report (Trial Version), Shenzhen Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 17 – Sustainability Development Report (Trial Version), and Beijing Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 11 – Sustainability Development Report (Trial Version).

14 Germany Report: "The description of "certain large corporations" includes listed stock corporations, listed partnerships limited by shares, listed SEs, capital market-oriented stock corporations - but not limited liability companies."

15 "What You Should Know: The National Academies' Evaluation of Compensation Data Collected Through the EEO-1 Form," U.S. Equal Employment Opportunity Commission (EEOC), https://www.eeoc.gov/wysk/what-you-should-know-national-academies-evaluation-compensation-data-collected-through-eeo-1.

1 Component 2.[16] In 2022, EEOC Commissioner Keith Sonderling announced the possible return of the EEO-1 Component 2 pay data reporting.[17]

In **India**, as of FY 2022-23 SEBI[18] requires the top 1000 listed companies by market capitalization to submit a Business Responsibility and Sustainability Report, which must include disclosures on gender and diversity within the overall workforce and senior management. Distinctive to India within our sample, issuers are also required to disclose the number of differently abled employees and the accessibility measures that the company has put in place.

With the exception of India's rule about people with disabilities, for all other countries, corporate disclosures on indigenous peoples, migrants, religion, sexual orientation, or disability, are voluntary. For instance, the non-binding framework of the German Sustainability Code specifies that adhering companies should report on the integration of migrants and people with disabilities into the workforce.

2.2. Vertical Inequality:

The single vertical inequality-related disclosure requirement identified across all jurisdictions is for income inequality in the form of pay equity. These disclosure requirements are in place in half of the countries in our sample: Brazil, Hong Kong, Germany, South Africa, and Singapore.

In **Brazil**, CVM Resolution No 80, as amended in 2023, requires Category A companies to disclose within annual financial filings information related to the processes established to set the individual remuneration of the board of directors and executive management. It also requires both Category A and B companies to disclose the highest, lowest, and average individual compensation amounts for boards, executive management, and the workforce.

In **Germany**, the Transparency in Wage Structures Act requires that companies of a certain size (in terms of employee headcount) disclose pay structures as part of an employee's individual right to information, as well as employee structures by gender as part of their reporting obligations, shedding light on the distribution of income.

In **Hong Kong**, Section 383 of the Companies Ordinance enacted in March 2014 (Cap. 622 of the Laws of Hong Kong), require all companies incorporated in Hong Kong to disclose information regarding directors' emoluments and benefits in the notes to its financial statements. Moreover, companies listed on the HKEx (regardless of their place of incorporation) are required by the Rules Governing the Listing of Securities on the HKEx , which are regularly amended since their enactment in 1986, to disclose the five highest paid individuals during the financial year reported in each annual report.

In **Singapore**, Rule 710 of the Mainboard Rules and the Catalist Rules of the SGX-ST, in conjunction with the Code of Corporate Governance dated August 2018, require listed companies to disclose, on a comply-or-explain basis, the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of each individual director, the Chief Executive Officer and certain key management personnel. For the financial years ending on or after 31 December 2024, Rule 1207(10D) of the Mainboard Rules and Rule 1204(10D) of the Catalist Rules require listed companies to disclose in its annual report the names, exact amounts and breakdown of remuneration paid to each individual director and the Chief Executive Officer by the listed company and its subsidiaries. Such disclosure will no longer be on a comply-or-explain basis.

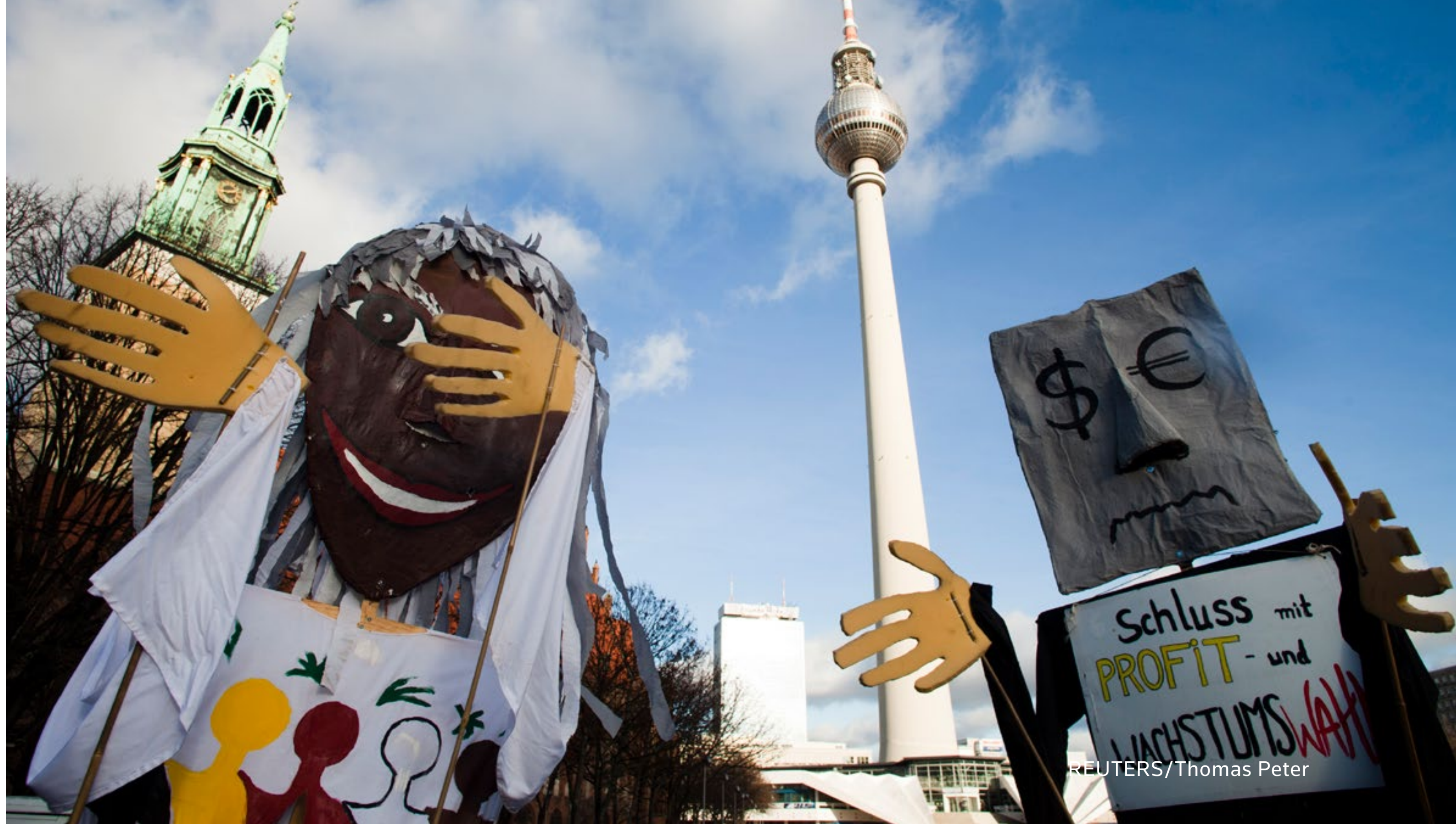
Under **South Africa's** Chapter III of the Employment Equity Act, "designated employers"[19] shall disclose remuneration and benefits received in each

16 EEOC, "What You Should Know."

17 Joanna Kim-Brunetti, "Employer Alert-EEOC Pay Reporting Is Set to Return," Bloomberg Law, August 11, 2022, https://news.bloomberglaw.com/daily-labor-report/employer-alert-eeoc-pay-reporting-is-set-to-return. As of August 2023, the EEOC has not issued a definitive decision on the return of the EEO-1 Component 2.

18 The Securities Exchange Board of India, Circular No. SEBI/HO/CFD/CMD-2/CIR/2021/562, May 10, 2021.

19 South Africa Report: "Pursuant to the Employment Equity Act, a designated employer is defined as "(a) an employer who employs 50 or more employees; (b) an employer who employs fewer than 50 employees but has a total annual turnover that is equal to or above the applicable annual turnover of a small business in terms of the Schedule 4 of this Act; (c) a municipality, as referred to in Chapter 7 of the Constitution. (d) an organ of state as defined in Section 239 of the Constitution, but excluding the National Defense Force, the National



REUTERS/Thomas Peter

occupational level of the workforce. The amendments to the Employment Equity Act, will render companies with less than fifty employees as "designated employers" required to disclose information. The effective date of the amendments to the Employment Equity Act is yet to be proclaimed by the President.

3. THE THRESHOLD SIZE OF COMPANIES COVERED.

The threshold size of companies subject to laws, regulations, and guidance on corporate disclosures related to socio-economic inequality vary across jurisdictions. For example:

In **Brazil**, the CVM's disclosure rules apply to all listed companies with more disclosure requirements for Category A companies than for Category B companies, as reflected in the previous section.

In **Germany**, which complies with the EU's NFRD (see below), corporate disclosures requirements are applicable to "certain large corporations"[20] with more than 250 employees. Certain companies are also required to report non-financial information under the German Commercial Code (HGB). These companies include capital market-oriented large companies with at least 500 employees and large credit institutions and insurance companies with at least 500 employees.

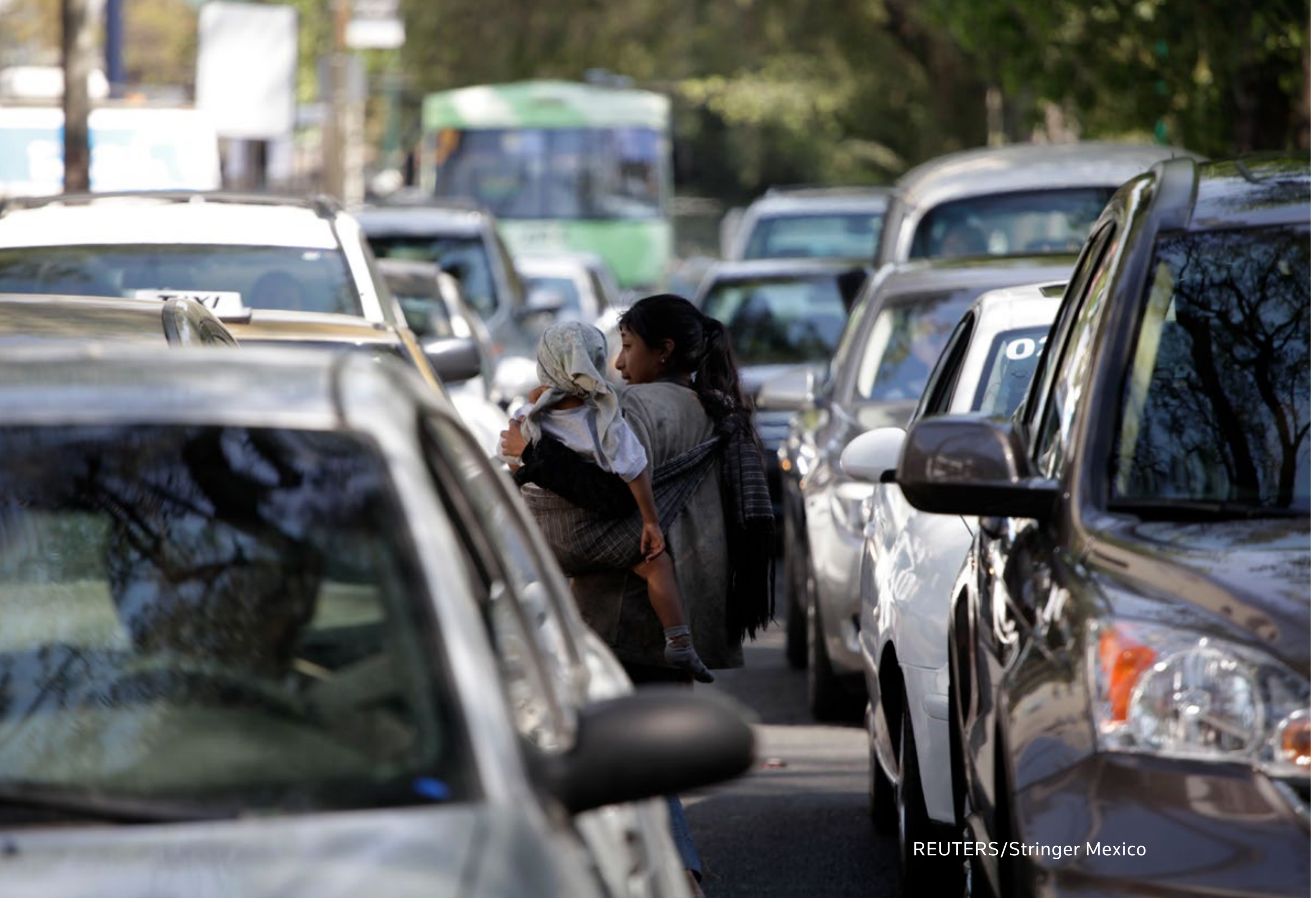
In **Hong Kong**, all Hong Kong Companies must comply with the corporate disclosure requirement established in the Companies Ordinance. Moreover, the Rules Governing the Listing of Securities on the HKEx provide additional corporate disclosure requirements on socio-economic inequality, as noted above.

In **India**, the corporate disclosure requirements established by the SEBI only apply to the top 1000 listed companies by market capitalization.

In **South Africa**, the requirements apply to designated employers (see above).

Intelligence Agency, and the South African Secret Service; and (e) an employer bound by collective agreement in terms of section 23 or 31 of the Labor Relations Act, which appoints it as a designated employer in terms of this Act, to the extent provided for in the agreement."

20 Germany Report: Certain large corporations" refers to listed stock corporations, listed partnerships limited by shares, listed SEs, capital market-oriented stock corporations - but not limited liability companies.



REUTERS/Stringer Mexico

4. OTHER INSIGHTS

The pro bono teams also examined the inequality-related disclosure regulations for whether the texts refer to any of four specific aspects: the European Union's 2014 Non-Financial Reporting Directive (NFRD), which is the first generation of mandated disclosures requiring companies to conduct sustainability reporting on policies and processes across a range of environmental and social topics; supply chains; the informal economy; and tax avoidance.

The NFRD, which as noted above has since been replaced by the CSRD, required companies with 500 employees or more to disclose in their management reports "a non-financial statement containing information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters."[21] Therefore, it could apply to non-EU companies with EU operations that meet this threshold. We were interested in knowing if this law had an influence upon laws in other jurisdictions that may manifest as references in the laws of those jurisdictions.

Only the German and UK disclosure rules refer to and apply the NFRD. Germany fully implements the NFRD in its Commercial Code. The obligations to report based on the NFRD are currently impacting approximately 15000 German companies. In the UK, the Companies, Partnerships and Groups Regulations 2016 (SI 2016/1245) incorporating the NFRD still applied as of February 2024 despite the UK's exit from the EU.

Although the laws and regulations of the eight other countries covered in this study have not adopted laws or regulations that expressly refer to the NFRD, some of the pro-bono teams identify alignment with the comprehensive requirements established in the NFRD. For instance, companies listed on the HKEx are required to publish an environmental, social, and governance (ESG) report annually, and a directors' report that includes the principal risks and uncertainties the companies face. These often include disclosures on human capital. The US Foreign Corrupt and Practices Act (FCPA) requires companies to maintain comprehensive anti-bribery policies and to follow proper accounting practices. Under Brazil's Resolution No. 80, listed companies must report on environmental, anti-corruption, and ESG-related matters.

Regarding supply chains, in January 2023, the German Act on Corporate Due Diligence to Prevent Human Rights Violations in Supply Chains (Lieferkettensorgfaltspflichtengesetz, "LkSG") came into effect. The Act requires large German companies – those headquartered or based in Germany and with at least 3,000 employees (from 2024, with at least 1,000 employees) – to annually report on what they are doing to fulfill their due diligence obligations in relation to their direct and indirect suppliers. Companies covered by the law must disclose the risks they identified and the measures they adopted to mitigate them. With the forthcoming adoption of the EU Corporate Sustainability Due Diligence Directive (CSDDD) expected in 2024, which sets ambitious guidelines for EU companies[22] and foreign companies[23] to undertake human rights and environmental due diligence across the global value chain, wche expect a significant increase on the number of corporate disclosures involving supply chains.

In addition, in 2015 the UK enacted the Modern Slavery Act, which requires UK companies[24] to report on efforts undertaken to prevent and address modern slavery in their supply chains. In Singapore, the SGX-ST requires publicly listed companies to produce annual sustainability reports that describe sustainability practices with reference to, among others, material social factors. Social factors would include supplier assessments. Additionally, in some countries, companies voluntarily disclose ESG-related information, which may include information related to their suppliers (e.g., Brazil, Mexico, Hong Kong, and the US).

The laws and regulations identified in this report do not refer to the informal economy.

In terms of tax avoidance, 8 of the 10 countries have laws or regulations addressing corporate tax avoidance, with only Mexico having no explicit tax avoidance laws or regulations.[25] All ten jurisdictions are members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting or BEPS.[26] BEPS are "tax planning strategies used by multinational enterprises that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity or to erode tax bases through deductible payments such as interest or royalties".[27] Most BEPS are legal, however these schemes "undermine the fairness and integrity of tax systems" creating a significant impact for "developing countries due to their heavy reliance on corporate income tax".[28] The OECD/G20 Inclusive Framework on BEPS, brings together countries and jurisdictions to "tackle tax avoidance, improve the coherence of international tax rules, ensure a more transparent tax environment and address the tax challenges arising from the digitalization in the economy".[29]

Five jurisdictions – China, India, South Africa, Singapore, and the UK -- apply a General Anti-Avoidance Rule (a "GAAR"), which while varying across jurisdictions, is "typically designed to strike down those otherwise lawful practices that are found to be carried out in a manner which undermines the intention of the tax law such as where a taxpayer has misused or abused that law" and

21 Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups, OJ L 330, 15.11.2014, p. 1-9. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0095

22 The EU CSDDD, when finalized, is expected to apply to EU limited liability companies as follows: Group 1, with more than 500+ employees and net EUR 150+ million turnover worldwide; and Group 2, with 250+ employees and net EUR 40+ million turnover worldwide and operating in defined high impact sectors. See: https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en

23 The EU CSDDD will apply to non-EU companies that are active in the EU with turnover threshold aligned with Group 1 and 2, generated in the EU. See: https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en

24 UK Report: The Modern Slavery Act applies to commercial organizations if: "(i) it is a body corporate or a partnership, wherever incorporated or formed; (ii) it carries on a business, or part of a business, in the UK; (iii) it supplies goods or services; and (iv) it has an annual turnover of £36 million or more."

25 Section 5 addressing tax avoidance questions was not responded by the team addressing Hong Kong.

26 "Base erosion and profit shifting," OECD BEPS, https://www.oecd.org/tax/beps/.

27 "BEPS Inclusive Framework on Base Erosion and Profit Shifting," OECD: About – OECD BEPS, https://www.oecd.org/tax/beps/about/

28 "BEPS Inclusive Framework on Base Erosion and Profit Shifting," OECD: About – OECD BEPS, https://www.oecd.org/tax/beps/about/

29 "Base erosion and profit shifting." OECD BEPS, https://www.oecd.org/tax/beps/.

serves as a last resort by tax authorities to counter tax avoidance.[30]

The tax avoidance provisions of the eight countries are as follows:

China has adopted the GAAR through the Corporate Income Tax Law of the PRC and the Detailed Implementation Rules for the Corporate Income Tax Law of the PRC to address corporate tax avoidance. In addition, the State Taxation Administration of the PRC has enacted a number of public notices and orders as part of the corporate anti-tax avoidance regulations, including the Administrative Measures on the GAAR. In applying the GAAR, tax authorities are allowed to adjust taxable revenue or income where business transactions are carried out with the sole purpose of reduction, exemption, or deferral of tax payments.

India incorporates the GAAR into its Income Tax Act, through which it provides a number of regulations aimed to prevent and reduce tax avoidance. India also regulates corporate tax avoidance through the Finance Act, which aligns with the OECD's Base Erosion and Profit Shifting (BEPS).

South Africa incorporates the GAAR through the Income Tax Act, which includes additional corporate tax avoidance provisions, including limits on deductible interest paid on cross border related party debt, taxation of value-shifting, and taxation of debt with equity.

Singapore incorporates the GAAR and regulates tax avoidance through the Income Tax Act 1947, the Goods and Services Tax Act 1993, and the Stamp Duties Act 1929. These laws require disregarding tax arrangements that are not bona fide and are carried out for tax avoidance purposes. Additionally, these laws impose a surcharge for tax avoidance equal to 50% of the amount or additional amount of tax imposed.

In the **UK**, in addition to the GAAR and the Targeted Anti-Avoidance Rules ("TAAR"), which are applicable to regime-specific anti-avoidance rules (e.g., rules that prevent individuals from converting what would otherwise be a dividend into a capital payment in the context of a winding up; the loan relationships regime TAAR designed to catch loan-related tax advantages that arise from avoidance arrangement), the courts have consistently applied the "Ramsay Principle," which gives courts the power to decide upon the tax properly chargeable pursuant to the relevant tax legislation, in cases where companies conduct artificial transactions designed to avoid taxes. In addition, the UK has implemented the OECD's BEPS Pillar 2, which proposes a 15% global minimum tax.

Brazil's tax system regulates tax avoidance through Sections 116 and 149 of Brazilian Tax Code. The application of this regulation is controversial in Brazil, with some critics claiming that they are not able to adjudicate conflicts between corporate taxpayers and tax authorities.

Germany's multiple regulations that deal with tax avoidance of multinational companies are in line with global and European initiatives and include: the OECD's BEPS action plan (e.g., Law on the Implementation of the EU's Anti-Tax Avoidance, Act Combating Tax Avoidance and Unfair Tax Competition).

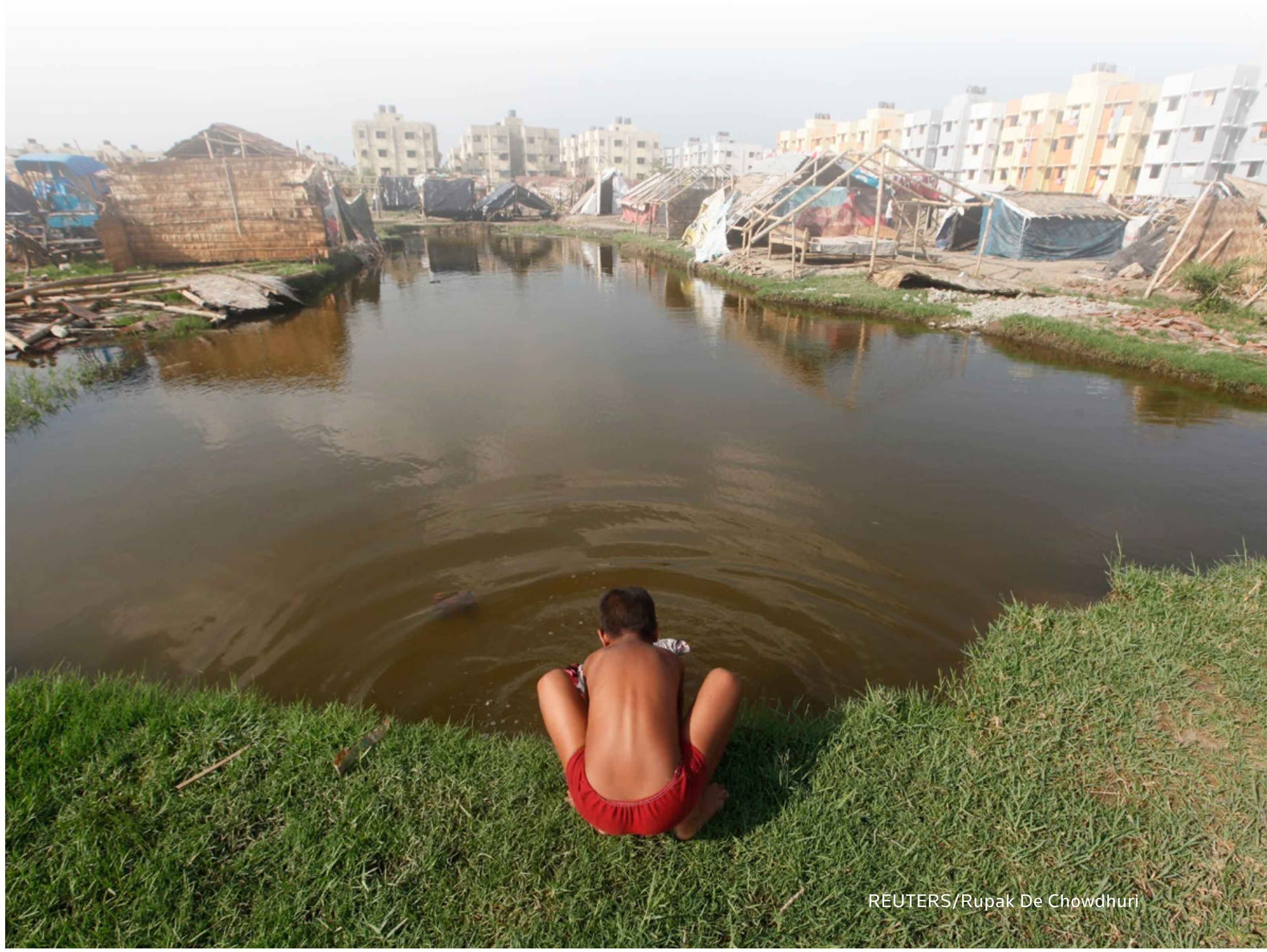
Finally, the **U.S.** has a variety of judicial, statutory, and regulatory rules intended to prevent federal tax avoidance. The U.S. Internal Revenue Service (IRS) and federal courts use a variety of anti-abuse doctrines aimed to prevent and/or reduce corporate tax, including the economic substance doctrine, which allows the IRS to re-characterize transactions that do not have a business purpose and/or economic substance.

30 Christophe Waerzeggers and Cory Hillier, "Introducing a General Anti-Avoidance Rule (GAAR)," The International Monetary Fund: Tax Law IMF Technical Note (Vol 1, January 2016) https://www.imf.org/external/pubs/ft/tltn/2016/tltn1601.pdf

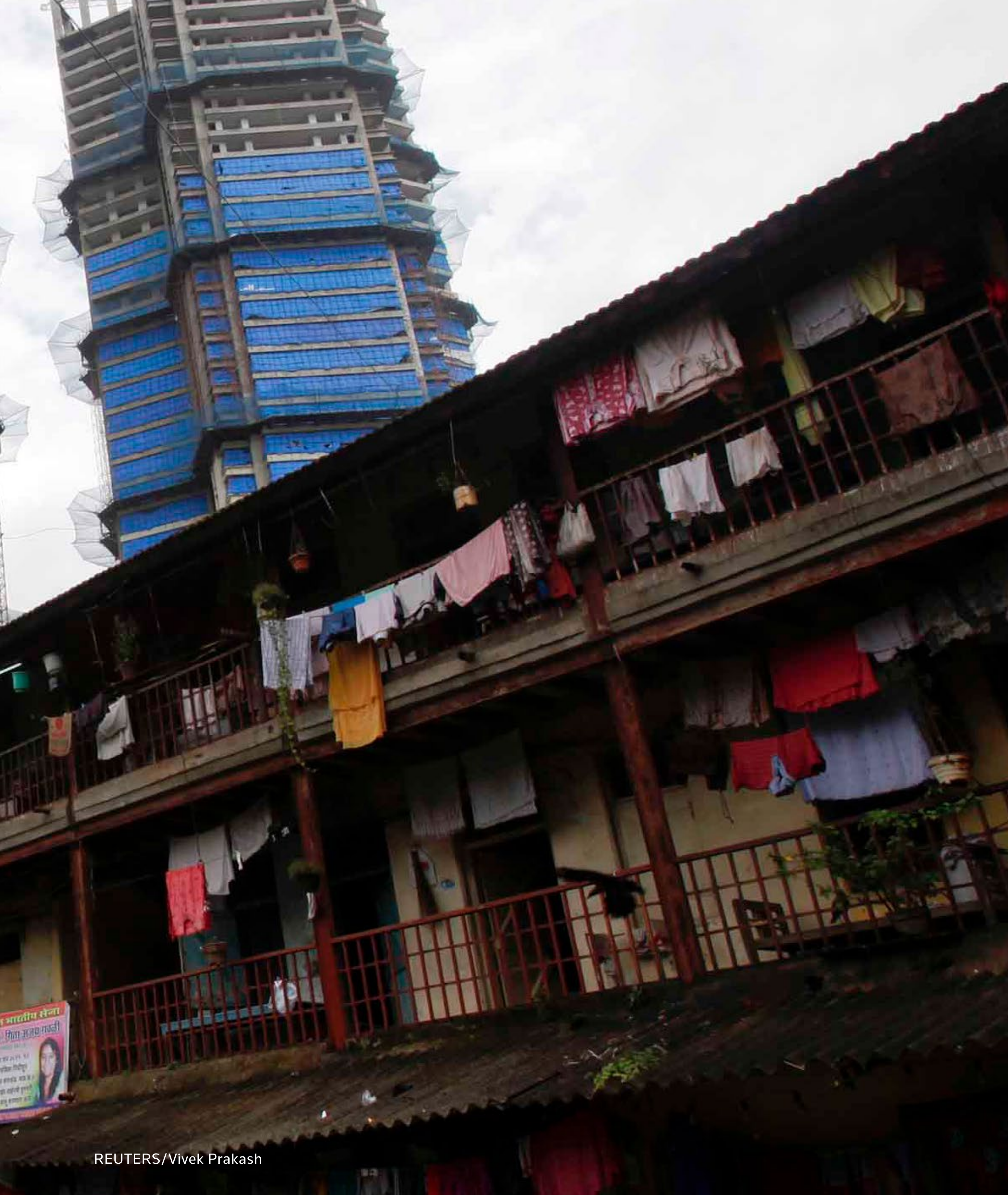
CONCLUSION

This report, a synthesis of the pro bono team reports for ten jurisdictions, provides a snapshot of the current global landscape of socio-economic inequality-related reporting requirements for the private sector. While varying across jurisdictions, the legal requirements highlighted in this research suggest incipient regulatory interest in inequality-related disclosures.

Additionally, the patchwork of issues covered by existing rules and regulations and the fact that none refer explicitly to "inequality" underscore the need for more coherent standards on how to measure and manage private sector impacts on socio-economic inequality. It provides supporting evidence for the need to develop consistent metrics, targets, thresholds, and guidance to bring clarity to the market, and serve as a resource for the thematic working groups of the proposed Taskforce.



REUTERS/Rupak De Chowdhuri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