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# Tax reporting under GRI 207: an exploratory case study of Shell plc

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## *Abstract*

This study investigates the impact of the Global Reporting Initiative's GRI 207: Tax 2019 standard on corporate tax transparency and tax behaviour, using Shell plc as a longitudinal case study from 2011 to 2023. It critically evaluates how GRI 207 interacts with the UK's existing disclosure frameworks, assesses whether it introduces new dimensions of transparency, and examines its influence on Shell's tax disclosure and tax aggressiveness. The study finds that GRI 207 largely complements the UK's existing tax disclosure requirements, particularly in strategy, governance, and stakeholder engagement, but diverges by advocating public country-by-country reporting, which Shell has not fully adopted. Further, tax disclosure volume increased significantly following the introduction of GRI 207; however, effective tax rates (ETRs) and adjusted ETRs declined, suggesting increased tax aggressiveness. The study concludes that GRI 207, as a voluntary and soft-law initiative, enhances public reporting, but its impact on corporate tax behaviour, particularly in Shell's case, appears limited.


**Key words**: GRI 207, tax transparency, tax disclosure, tax avoidance, tax aggressiveness

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## 1. INTRODUCTION

Classical economist David Ricardo (1895) mentioned tax as a 'great evil' that can reduce economic welfare and hinder capital accumulation. Followers of his arguments consider tax payment as a mere legal obligation (Djankov et al., 2010; Davis et al., 2016). Others however equally emphasise tax payment as an ethical and social contribution beyond a legal necessity (Xu et al., 2022; Jemiolo & Farnsel, 2023; Chaim & Parchomovsky, 2024). Irrespective of this classical debate over the nature of tax obligations, there is escalating pressure on large corporations and multinational corporations (MNCs) to pay their 'fair' share of tax to governments at their place of operation. Indeed, the payment of tax is now considered a part of the corporation's environmental, social, and governance commitment (Fallan, 2015; Chaim & Parchomovsky, 2024). Moreover, studies argue that paying the 'fair' share of tax is an integral part of responsible business practices (Elbra & Mikler, 2017; De la Cuesta-Gonzalez & Pardo, 2019). Of course, determining what is 'fair' is often a contentious and nebulous issue (Schoueri & Owens, 2020).

MNCs have been accused of not paying their 'fair' share of tax in every country where they operate (Desai & Dharmapala, 2006; Otusanya, 2011; Elbra & Mikler, 2017; Garcia-Bernardo & Janský, 2024). Contemporary examples of tax minimisation practices of MNCs like Amazon, Google, Apple, or Starbucks have 'raised the eyebrows' of consumers, regulators, and governments (Christians, 2013; Barrera & Bustamante, 2018; Brown, 2023). For example, while Starbucks was expanding its business continuously in the United Kingdom (UK), it showed business losses in tax returns for 14 consecutive years. Public reaction to that incident was so intense that later, Starbucks voluntarily paid GBP 20 million in tax to the UK tax authority, even though its reported tax liability was nil (Christians, 2013). Such public reaction on tax payment and transparency increased on the MNCs, particularly after the Global Financial Crisis (GFC) of 2009 (Muller & Kolk, 2015).

Corporations' tax payments can be crucial to any country's domestic resource mobilisation, providing governments with the funds required for social services and welfare. Thus, tax revenue can contribute to countries achieving their United Nations Sustainable Development Goals (SDGs), such as by generating employment, reducing poverty, and providing quality healthcare and education. It can also assist in improving gender equity and sustainable economic growth (Halim & Rahman, 2022; United Nations Development Programme (UNDP), 2023). This realisation may contrast with a corporation's profit maximisation objective if tax payment is viewed merely as a cost. To resolve this conflict, the corporation's tax strategy and sustainability objectives need to be better aligned.

Tax planning can be a key component of a corporation's tax strategy. Aggressive tax planning, often known as tax aggressiveness, is the downward management of tax payments (Hanlon & Heitzman, 2010). This tax minimisation can vary from corporation to corporation, and can be influenced by the industry, the extent of international operations, and the specific business activity. What tax minimisation strategy corporations adopt can be best explained by the taxpayers or their tax advisors (Lee et al., 2015), as the tax information held by tax authorities can have strict confidentiality obligations. Therefore, it can be very difficult for different stakeholders to ascertain the actual tax practices of a corporation (Krever et al., 2022). Even for listed corporations, publicly disclosed tax information in financial statements can be quite limited.

Historically, corporations have disclosed fragmented information on tax practices, such as a few quantitative data in their financial statements, like the amount of tax charged, tax paid, deferred tax, and current tax in the financial statements or a few footnotes on tax behaviour in the annual reports. This can make it difficult for different stakeholders (such as investors, consumers, academics, and government agencies) to ascertain the full picture of a corporation's tax position and practices. In the case of MNCs, when there are issues like transfer pricing,[1] thin capitalisation,[2] or the use of tax havens,[3] it becomes more difficult to evaluate the difference between genuine economic activities and activities undertaken as a part of aggressive tax planning. Interestingly, in most cases, the public can only know about such aggressive tax planning when litigation occurs with tax authorities and public disclosure of the tax incident is reported in the judgments, or when there is a leak of confidential information, such as the 2016 Panama Papers scandal.[4]

Globally, public debate around tax transparency and aggressive tax planning of MNCs has gained prominence. Policymakers are increasingly considering the implementation of tax disclosure regulations to try to enhance corporate accountability and tax transparency worldwide. Several organisations, like the Organisation for Economic Co-operation and Development (OECD), European Union (EU) and Global Reporting Initiative (GRI), and countries like the UK and Australia, have adopted standards or legislation for large corporations to publish certain tax information to increase tax transparency.

GRI, the most widely adopted global standard for corporate sustainability reports, introduces the GRI 207: Tax 2019 standard (GRI 207) (Global Sustainability Standards Board, 2019) with a primary objective of increasing tax transparency by providing a framework for enhanced disclosures by firms on their tax practices. Thus, GRI 207 requires significantly higher disclosure compared to prior regulations, with the aim of moving beyond minimal compliance and encouraging more consistent, public-facing tax accountability. Overall, the standard requires disclosure related to tax strategy, approach to taxation, governance, interaction with tax authorities, economic activities, stakeholder engagement and tax payment information in each jurisdiction.

Prior studies on GRI have inconsistent findings about tax transparency and tax aggressiveness. Kopetzki and co-authors (2023), through a textual analysis of sustainability disclosure reports between 2020 and 2021 from corporations in France, Germany, and Italy, found that when standards are non-binding, most tax disclosure content does not meet GRI 207 requirements. Göttsche and co-authors (2024) noted that country-by-country reporting (CbCR), an integral component of GRI 207, significantly benefits non-professional investors with limited financial literacy, as non-professional investors generally lack technical expertise and can have difficulty interpreting intricate

[1] Transfer pricing is the pricing mechanism in cross-border transactions between related parties. It is argued to be manipulated for tax minimisation (OECD, 2015).

[2] Thin capitalisation is a situation where a company is financed with a high level of debt relative to its equity. It can be used to reduce the tax base at the country of operation by charging disproportionate interest expense deduction and to minimise tax (OECD, 2012).

[3] Tax havens are countries or jurisdictions with very low or no tax rates to attract foreign direct investments. Tax havens also facilitate tax avoidance (Dharmapala & Hines, 2009).

[4] The Panama Papers scandal refers to a massive leak of documents from a Panama-based law firm, Mossack Fonseca, revealing details about the operations of approximately 214,000 shell companies in tax havens worldwide (O'Donovan et al., 2019).

tax disclosures. The study further opined that CbCR is valued highly by the socially responsible and taxpayers with high tax morals. However, the study could not find any significant linkage between corporate tax strategy disclosure and investors' decision-making. In another study on French corporations, Arnaud and Giordano-Spring (2024) argued that corporations facing reputation risks increase tax disclosures in line with GRI 207. They also argued that tax disclosure alone is insufficient for achieving tax transparency because corporations may engage in aggressive tax planning using tax havens while emphasising compliance with tax regulations. On the other side, Rudyanto (2025) in the Indonesian context found that tax disclosure in GRI-based sustainability reports reduces aggressive tax behaviour.

These prior studies suggest an overall increase in tax transparency in response to the GRI standards, but their impact in curbing tax aggressiveness is still arguable. There are some limitations to these prior studies, such as involving a limited analysis of the standards or considering very short periods, as GRI 207 came into force in January 2021. It is argued that a longer time frame is recommended to analyse the impact of regulation. In addition, some of the prior studies excluded highly tax aggressive sectors, like the extractive industries. Further, these prior archival studies, useful for observing on-average firm behaviour in response to GRI 207, fail to capture detailed qualitative aspects such as how a firm responds to the interaction between voluntary frameworks like GRI 207 and mandatory regimes.

This study aims to explore four broad objectives using Shell plc (Shell) as a longitudinal case study. Note that prior to 2021, Shell plc was known as Royal Dutch Shell plc before changing its name to Shell plc. First, it critically evaluates the role of GRI 207 within the context of the UK's corporate tax disclosure environment by examining the extent to which the standard complements, overlaps with, or diverges from existing disclosure frameworks. Second, it seeks to assess whether GRI 207 introduces new dimensions of tax transparency, in terms of content and format. Third, it explores the impact of GRI 207 on corporate tax disclosure practices and tax behaviour, focusing on changes in disclosure volume and structure, as well as shifts in tax aggressiveness, measured through effective tax rates, over time. Finally, the research explores the broader significance of GRI 207 as a voluntary, soft-law framework in shaping corporate accountability and fostering responsible tax conduct.

To the authors' knowledge, no prior studies have observed these research areas over a decade for a large MNC in the extractive industries, which are often accused of high levels of tax aggressive behaviour (Lemaître, 2019).

The article is structured as follows. The next section will discuss the contemporary literature on tax transparency and provide an overview of regulatory reforms in this area. The third section will discuss the methodology used in this research, with the results of the Shell case study provided. This will be followed by the limitations and recommendations for future research before concluding.

## 2. Literature review

### 2.1 Theories on tax disclosure

Several theories may assist in understanding the reasons behind tax disclosure. First, agency theory suggests that management discloses information to reduce conflict with shareholders (Hussain et al., 2018). It means corporations voluntarily disclose tax information to inform their stakeholders and to reduce information asymmetry (Boubaker et al., 2022). However, when tax aggressiveness is high, corporations either do not disclose information or use vague statements or footnotes (Inger et al., 2018). The reason for this is that corporations do not want to raise any scrutiny of tax auditors and the public by highlighting unfavourable tax information. It may expose corporations to future litigation and penalties (Dyreng et al., 2016; Akamah et al., 2018; Flagmeier et al., 2023).

In contrast, the legitimacy theory suggests that tax aggressive corporations make disclosures to justify their low tax payments, particularly when they fail to meet stakeholders' or societal expectations in tax matters (Balakrishnan et al., 2019; Mgammal, 2020; Kao & Liao, 2021). Further, the stakeholder theory predicts that corporations disclose tax information because their stakeholders find it relevant. Both theories suggest that when tax aggressive corporations face greater political and social pressure, they provide more disclosures (Lanis & Richardson, 2012; Laguir et al., 2015; Hardeck & Kirn, 2016).

Several studies have used the legal realism theory to explain the impact of soft law, like GRI, in addressing tax aggressiveness (Bird et al., 2018; Rudyanto, 2025). Legal realism theory suggests that law is comprised of hard and soft components. Hard law has concrete sanctions and regulations, while soft law lacks a strong binding force but is guided by social norms (Druzin, 2017; Plekhanova, 2023). Soft law often responds to corporations breaching hard law to address social issues (Steurer, 2010; Wichianrak et al., 2022). Soft law has its limitations in combating aggressive tax behaviour because it does not impose any punitive action. However, it is argued that soft laws can motivate corporations to comply with hard law (Christians, 2007; Sheehy et al., 2021). Rudyanto (2025) applied the 'tell-tale heart effect'[5] to describe the effect of GRI-based sustainability standards. The study argued that disclosures like GRI standards prompt corporations to adhere to tax regulations, modify their moral stance on taxation, and ultimately diminish aggressive tax avoidance practices. For example, where society demands that corporations include tax information in GRI-based sustainability reports, corporations are required to produce such disclosure. According to the 'tell-tale heart effect', this disclosure would lead firms to enhance their tax morals and avoid engaging in unethical tax minimisation.

The public disclosure of tax-related information can impose several costs on corporations. First, when corporations adopt legal but highly tax aggressive strategies, true disclosure may expose them to substantial reputational risks. The public may consider their tax planning as unethical (Arnaud & Giordano-Spring, 2024). Moreover, the damage can be more intense when such disclosure falsely portrays responsible tax behaviour (Middleton & Muttonen, 2020). This is clearly illustrated by the Starbucks example referred to earlier. Besides, tax disclosures are associated with various proprietary costs; competitors, suppliers, or different stakeholders may exploit the corporation with disclosed information by renegotiating contracts (Evers et al., 2014; Oats & Tuck, 2019). Therefore, corporations may prefer to refrain from transparency to

[5] The 'tell-tale heart effect' refers to overwhelming guilt or paranoia, where a person becomes consumed by their feelings of wrongdoing and often imagines that others can detect their guilt, similar to the narrator's experience in Edgar Allan Poe's 'The Tell-Tale Heart'.

avoid public scrutiny from the media, policymakers, and watchdog groups (Akamah et al., 2018).

Empirical studies have provided opposing views on tax aggressiveness and tax disclosure. One group found that corporations with lower ETRs or high levels of tax aggressive behaviour generally provide poorer disclosures and less detailed reports (Dunker & Willkomm, 2022; Belnap, 2023). In contrast, another group opined that corporations with high levels of tax aggressiveness attempt to mitigate the disclosure problem by increasing various tax disclosures (Mgammal, 2020). Xia (2025) finds that corporations that used to exhibit low ETR or high tax aggressiveness disclose more qualitative disclosure in their initial tax transparency reports. In addition, tax disclosures of tax-aggressive corporations tend to be longer, contain more justification words, and contain more soft claims than hard information (Kao & Liao, 2021).

Moreover, organisational attributes, like organisation type, size, and industry, can play an important role in tax disclosure patterns (Mgammal, 2020). The disclosure practice of extractive industries varies greatly from that of other sectors (Kvaal & Nobes, 2013). Studies find that large corporations, MNCs, or extractive industries, which different stakeholders continuously scrutinise, voluntarily issue additional information to remain in control of their disclosure environments (Kays, 2022).

## 2.2 Tax transparency initiatives in the UK

Since the GFC, public scrutiny of corporate tax strategy has significantly increased. Tax activists, non-government organisations (NGOs), and regulators called for tax reforms and increased transparency in tax disclosure (Oats & Tuck, 2019). The Extractive Industries Transparency Initiative (EITI), launched in 2003, was one of the earliest global efforts to improve revenue transparency within the oil, gas, and mining industries. At the national level, the UK tax strategy disclosure requirement, introduced under the *Finance Act 2016* (UK), represented a key shift toward public and qualitative reporting on corporate tax governance and planning. These initiatives provided an important foundation; however, this study centres on the interaction between GRI 207, the UK tax strategy disclosure, and OECD's country-by-country reporting (CbCR), three frameworks most directly relevant to understanding Shell's evolving tax disclosure practices.

### *2.2.1 UK tax strategy disclosure*

In 2016, the UK government made legal requirements for corporations exceeding a specific size to disclose their tax strategy publicly (*Finance Act 2016* (UK)). The disclosure includes information on tax risk management, attitude towards tax planning, tax risk tolerance, and approaches to dealing with tax authorities and others. The primary objective of this disclosure was to enhance tax transparency. The disclosure requires addressing four key areas: the company's approach to tax risk management and governance, its stance on tax planning, its attitude toward tax risk, and its working relationship with HM Revenue and Customs (HMRC). The strategy must be approved by the corporation's board of directors, published on a publicly accessible UK website, and kept freely available. Although the requirement does not prescribe specific tax outcomes, it promotes greater transparency and accountability in corporate tax behaviour. Non-compliance may result in financial penalties and reputational harm.

The challenge is that unethical corporations may use such qualitative disclosure to avoid 'public shaming', diminishing the objective of the disclosure strategy (Bilicka, 2019). Conversely, the quality of the disclosure is another significant concern of qualitative disclosure. Misleading disclosures will convey inaccurate information about corporate tax practices to people (Inger et al., 2018; Dyreng et al., 2020). For example, Bilicka and co-authors (2025) found that following the implementation of mandatory disclosure requirements, the length of the tax strategy disclosures increased in the annual reports of the UK corporations, but these qualitative disclosures did not make a meaningful contribution to external stakeholders' decision-making. Qualitative disclosures primarily serve as a safeguard against negative public scrutiny. Therefore, the full realisation of the objectives of tax transparency is not achieved**.**

### 2.2.2 *Country-by-country reporting (CbCR)*

The most prominent and extensive development in tax transparency initiatives has been the OECD's base erosion and profit shifting (BEPS) Action Plan 13. The Action Plan outlined the framework for CbCR. MNCs with an annual consolidated revenue of EUR 750 million or more must file detailed reports on their global operations. This report includes information on income allocation, tax payments, and economic activities of each jurisdiction where the corporation operates (Seer & Wilms, 2016). MNCs are required to submit the CbCR annually to the tax authority of their ultimate parent entity's jurisdiction, and the concerned tax authority will share the report with other tax authorities under international agreements. The primary objectives of CbCR are to enhance transparency and compliance, and to assist tax authorities in assessing transfer pricing and other BEPS-related risks. Overall, the framework aims to reduce tax aggressiveness by requiring MNCs to pay taxes at the place of their economic activities and value creation (OECD, 2015).

Some researchers have endorsed the effectiveness of CbCR in increasing transparency and prompting substantial changes in tax reporting (Wójcik, 2015; Kurniasih et al., 2023; Yang, 2023; Godar et al., 2024). Conversely, CbCR also poses challenges such as ensuring data accuracy, protecting confidentiality, and managing compliance costs (Chen, 2017; Klaassen & Bobeldijk, 2019; Oats & Tuck, 2019). While country-by-country tax payment and economic activity reporting may discourage one mode of tax aggressiveness, being profit shifting, corporations may still exploit other modes of tax minimisation (Hugger, 2019; Joshi, 2020). Overall, the implementation of CbCR is considered a positive step towards global tax transparency, as it is expected to foster a more resilient and equitable international tax system. However, if CbCRs are only submitted to tax authorities and not publicly disclosed, corporations will still have the discretion to window-dress information to the public broadly.

### 2.2.3 *Global Reporting Initiative: Tax 207 (2019)*

In December 2019, the Global Sustainability Standards Board (GSSB) released a new sustainability standard, GRI 207, with an overarching aim of increasing organisations' tax transparency. GSSB claims to be the first global reporting standard for tax transparency, amidst other standards that were limited to regional and sectoral needs. GRI 207 is expected to enhance the credibility of the organisation. The standard informs stakeholders about a corporation's approach to tax, tax positioning, tax payment, and economic activities. Although it does not specify how to develop a sustainable tax strategy, corporations find their approach to integrate these requirements into their business policies. GRI 207 requires corporations to disclose 'material' tax information in four broad categories: approach, governance, concerns, and CbCR data. The following section analyses the details of GRI 207.

GRI 207 aims to enhance corporate tax transparency by introducing a structured and comprehensive framework for tax-related disclosures. Its primary objectives include increasing the volume and consistency of publicly available tax information, fostering stakeholder engagement on tax matters, and ultimately encouraging more responsible tax behaviour by firms. Unlike traditional financial disclosures, GRI 207 emphasises qualitative aspects such as tax governance, strategic alignment, and stakeholder dialogue, in addition to requiring country-level quantitative reporting. By embedding tax transparency into broader sustainability reporting, the standard seeks to make tax a visible part of a company's ESG responsibilities. These objectives provide a basis for evaluating GRI 207's impact, not only in terms of disclosure content and accessibility, but also in influencing organisations' behavioural shifts regarding tax planning and aggressiveness.

First, corporations will disclose their approach to tax (Standard 207-1), where they will reveal information about their tax strategy, its availability, and its linkage with corporate strategy. Secondly, corporations will disclose information about their tax governance, control, and risk management (Standard 207-2). An organisation also needs to describe the mechanism the organisation has regarding tax matters and the assurance process employed for disclosing tax information. Thirdly, corporations will disclose stakeholder engagement and management concerns related to tax (Standard 207-3). This would include descriptions of the engagement with tax authorities, tax-related public policy advocacy, and incorporating stakeholders' opinions. Lastly, the standard 207-4 requires the details about CbCR. It describes all tax jurisdictions where the corporations have material economic activity and tax payments. It will disclose the information on subsidiary or entity name, principal activity, number of employees with a basis of calculation, revenue from third-party sales and intra-group transactions, profit or loss before tax, tangible assets other than cash and cash equivalents, corporate income tax paid on a cash basis, tax accrued on profit or loss and the reason for the difference between tax accrued for each tax jurisdiction. It will also mention the reporting period of the disclosure.[6]

Drawing on the framework proposed by Hoopes and co-authors (2024), Table 1 summarises the key features of the recent transparency initiatives applicable to extractive industries in the UK. Specifically, it illustrates how these disclosure regulations and standards fit together by comparing key disclosure initiatives, including the UK tax strategy disclosure, the OECD's CbCR, EITI, and GRI 207, based on dimensions such as public vs private reporting, qualitative vs quantitative content, regulatory scope, and target audience.

[6] Global Reporting Initiative, 'Topic Standard for Tax (GRI 207): A new global standard for public reporting on tax', https://www.globalreporting.org/standards/standards-development/topic-standard-for-tax/ (accessed 13 February 2025).

**Table 1: Summary of the Tax Transparency Initiatives in the UK**

| Framework | Regulatory Scope | Mandatory / Voluntary | Disclosure Type | Audience | Scope and Coverage | Contribution |
|---|---|---|---|---|---|---|
| EITI (2003) | International | Voluntary / Public | Quantitative: Little contextual information | Public stakeholders in resource-rich countries | Extractive industries | Pioneered transparency in the extractive industry |
| UK Subsidiary Disclosure (Companies Act 2006, amended by SI 2016/1245) | Domestic | Mandatory / Public | Qualitative: List of subsidiaries, including country of incorporation and operation | General public and investors | UK-incorporated parent companies | Enhanced corporate structure transparency and identification of tax haven subsidiaries |
| UK Tax Strategy Disclosure (UK Finance Act 2016, Sch 19) | Domestic | Mandatory (for large companies) / Public | Qualitative: Strategy, risk appetite, engagement with tax authority | General public and stakeholders | UK-based large businesses | First mandatory public disclosure of corporate tax strategy |
| OECD CbCR (BEPS Action 13) | International Agreement | Mandatory / Private (to tax authorities) | Quantitative: Revenues, profits, taxes paid per jurisdiction | Tax authorities only | MNCs with revenue > EUR 750M, global operations | Enabled global tax risk assessment, but not public facing |
| GRI 207: Tax 2019 | Global Sustainability Standard | Voluntary / Public | Mixed: Both qualitative (strategy, governance, concerns) and quantitative (CbCR) | Public stakeholders (investors, NGOs, media) | All companies opting for GRI, global operations | First tax standard integrated into sustainability reporting; enhances public trust |

Despite the fact that GRI 207 could arguably represent a combination of the UK tax strategy disclosure requirement and the OECD's private CbCR, both of which became effective in the UK in 2017, how GRI 207 fits into the existing UK tax disclosure landscape remains largely unexplored. Moreover, whilst there have been several measures to try to improve the tax transparency of corporations, as shown in Table 1, the question arises as to how effective have these measures been? This study seeks to provide insights on these research gaps at an organisational level by drawing insights from publicly available documentation relating to Shell to explore the four broad stated objectives, namely, evaluating the role of GRI 207 within the context of the UK's corporate tax disclosure environment; assessing whether GRI 207 introduces new dimensions of tax transparency in terms of content and format; investigating the impact of GRI 207 on corporate tax disclosure practices and tax behaviour; and exploring the broader significance of GRI 207 as a voluntary, soft-law framework in shaping corporate accountability and fostering responsible tax conduct.

## 3. METHODOLOGY

This study uses a case study method to analyse Shell's tax disclosures in the pre- and post-GRI 207 periods (from 2011 to 2023). Case study research is a qualitative approach focused on exploring real-life, contemporary 'bounded systems' (cases) over time through detailed, in-depth data collection from multiple sources, such as interviews, observations, and documents (Stake, 1995). It ultimately seeks to provide rich descriptions and identify key themes that illuminate the peculiarities of the case (Hyett et al., 2014). In designing an appropriate research method to explore the effect of tax transparency requirements, one important determinant is the necessity to study actual behaviour rather than rely on data collected by other methods. The case study design was based on the framework devised by Yin (2009), as it allows both theoretical and literal replication to be used. Case study research appears to be the most appropriate and most common method in social science studies (Yin, 2009).

The case study method is particularly well-suited for this research because it allows for an in-depth and context-rich analysis of disclosure practices over time, which is essential for understanding the nuanced impacts of a voluntary, narrative-based framework like GRI 207. Unlike the archival method, which typically focuses on broad patterns across large datasets, the case study approach enables tracing how Shell has interpreted, adopted, and integrated GRI 207 into its various reporting channels, including annual reports, sustainability reports, Payments to Governments Reports (P2GR), and Tax Contributions Report (TCR) disclosures within the UK's established regulatory environment. This method facilitates the examination of both observable shifts, such as changes in disclosure length and effective tax rates, and less tangible elements, such as the strategic language used in tax narratives. It also allows for the analysis of interactions between GRI 207 and existing disclosure mandates, capturing Shell's response not only in form but also in substance. Considering the objective of the study to examine GRI 207's function as a soft-law tool for enhancing meaningful tax transparency, a longitudinal case study offers the analytical depth, adaptability, and contextual understanding that a strictly archival method would lack.

Shell was chosen as the subject of this case study because of its presence in a complex regulatory environment and high public expectations regarding tax transparency as a UK-based multinational. Shell operates within a jurisdiction that mandates multiple layers of tax disclosure, including the subsidiary disclosures under the *Companies Act 2006* (UK) section 409, UK tax strategy disclosure, mandatory P2GR disclosure, and participation in the OECD's non-public CbCR. Further, the company extends its operations globally, including to tax havens. This environment creates an ideal context for examining how a voluntary standard like GRI 207 interacts with the corporation's disclosure obligations. Shell publicly claims to align with GRI 207 and incorporates several of its components, such as tax governance and stakeholder engagement, into its reports. However, it does not fully comply with the GRI 207-4 requirement for public CbCR; instead, it uses the OECD's CbCR format, which is structured differently. This partial compliance offers a valuable lens to explore the challenges of harmonising voluntary and mandatory frameworks. Furthermore, Shell represents a highly relevant case due to its industry and reputation. MNCs in the extractive sector are frequently accused of aggressive tax planning (Kays, 2022), and Shell, one of the largest corporations in the global extractive industry by market capitalisation, publicly positions itself as a pioneer in tax transparency. Nonetheless, it has a documented record of rapid compliance with emerging transparency standards (Shell, 2024, p. 16). These characteristics make Shell a compelling and information-rich case study for analysing whether GRI 207 drives meaningful change or simply codifies what organisations already disclose.

This study analyses Shell's Annual Reports, Sustainability Reports, P2GR, and TCR as they represent the corporation's primary public-facing disclosure in terms of tax transparency. These reports are particularly relevant because they align closely with the disclosure categories outlined in GRI 207, especially in terms of strategic narrative, governance, stakeholder engagement, and jurisdictional tax data. Although the UK tax strategy disclosure is a legal requirement under the *Finance Act 2016* (UK), Shell typically embeds this content within its Sustainability Report as part of its compliance with regulatory obligations. For this reason, the UK tax strategy disclosure was not analysed as a separate report. Furthermore, Shell's TCR also incorporates the required tax strategy disclosures within a broader voluntary transparency framework. These four report types are therefore suitable for examining how Shell's tax disclosures have evolved before and after the introduction of GRI 207, and how the organisation engages with broader stakeholder groups through public reporting, in line with GRI's emphasis on stakeholder-focused transparency. The objectives of this study are addressed by specifically examining the tax disclosure length, a thematic and strategic content analysis, performing a cross-outlet comparison of the disclosure content and form and through an analysis of the tax aggressive behaviour of Shell over the period of the study.

### 3.1 Measurements of variables

Consistent with prior studies, tax disclosure length is measured based on the number of items disclosed in publicly available reports (Mgammal, 2020). This study used the number of words in the reports on tax disclosure as disclosure volume. Tax Transparency Statements were identified as any text discussing tax principles, payments, governance, or stakeholder engagement that went beyond mandatory financial statement disclosures. Tax aggressiveness is measured using ETR, global income tax expense divided by pretax accounting income, and Cash ETR, global income tax paid divided by pretax accounting income. It is acknowledged that ETR can be problematic in measuring tax aggressiveness, as the low tax payable can be due to many legitimate reasons, such as differences in accounting and taxation rules regarding depreciation, provisions, allowances, and exemptions (Hanlon & Heitzman, 2010; Krever et al., 2022). However, researchers have extensively used ETR as a proxy for tax aggressiveness in tax research, especially in studies of tax transparency (Mgammal et al., 2018; Joshi et al., 2020; Overesch & Wolff, 2021; Kurniasih et al., 2023; Yang, 2023; Garcia-Bernardo & Janský, 2024; Kobbi-Fakhfakh & Driss, 2024).

Furthermore, to reduce the periodic income distortion and timing difference, the study also measured long-run ETR and long-run Cash ETR. The long-run ETR is measured using total tax charged during the pre- and post-GRI 207 period, divided by the pretax income of the subsequent period. The long-run cash ETR is measured in the same way, except for replacing the tax-charged amount with the tax-paid amount. Dyreng and co-authors (2008) introduced the long-run ETR concept to mitigate the impact of accrual or deferral strategies. By considering a longer timeframe, the long-run ETR and cash ETR minimise the mismatch between cash taxes and earnings while dampening the effect of carrying forward losses.

In addition, to test the robustness of the findings, an Adjusted Effective Tax Rate (Adjusted ETR) is calculated as suggested by Schwab and co-authors (2022). The Adjusted ETR refines the statutory tax rate by incorporating permanent differences, non-deferrable expenses, foreign income, and subtracting tax credits, domestic production activities deduction, and foreign taxes paid. This offers a clearer view of structural tax aggressiveness strategies. However, its application is limited by data availability, but as the study focuses on a single organisation, Adjusted ETR is calculated from tax reconciliation disclosure and financial statements.

### 3.2 Data and sample

For this study, data were obtained from published reports comprising 13 Annual Reports, 13 Sustainability Reports, 11 P2GR and 5 TCR relating to the selected case, Shell, for the period 2011 to 2023. Note that the 2011 data are reports of the 2010 financial year, as every report is published in the subsequent year. That means the financial performance observed in the study is between 2010 and 2022. All these reports are publicly available on the corporation's website: www.shell.com. Observations began from the 2010 financial year's report to observe the change after the GFC.

## 4. Results discussion

The observation period of the tax disclosure is classified into two periods: pre-GRI 207 (2011 to 2018) and post-GRI 207 (2019 to 2023). The disclosure pattern is summarised in Table 2.

During the pre-GRI 207 period, up to 2011, tax disclosure was limited to the Annual Reports and the Sustainability Report. In 2012, Shell started publishing its P2GR voluntarily. Later, in the post-GRI 207 period, it started TCR in 2019. The year 2019 is considered the benchmark period for post-GRI 207 because in this year, Shell started disclosing information related to GRI 207 voluntarily. Besides, the GRI 207 was first recommended by the Technical Committee on tax and payments to the government of the Global Sustainability Standards Board on 28 June 2018. From that year, the draft of the standard was open for public opinion, and finally, it was released on 8 December 2019. As the standard was known to corporations from the end of 2018, corporations could adopt its suggestions in 2019. Hence, 2019 is considered the first year of the post-GRI 207 period for Shell.

**Table 2: Tax Disclosure Pattern of Shell from 2011 to 2023**

| Report Year | Publication Year | Annual Report (Word Count) | Sustain-ability Report (Word Count) | P2GR (Word Count) | TCR (Word Count) | Total Word Count (Summation of (3) to (6) | |
|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | |
| 2010 | 2011 | 2418 | 93 | - | - | 2511 | |
| 2011 | 2012 | 1966 | 156 | 1111 | - | 3233 | |
| 2012 | 2013 | 1946 | 227 | 1203 | - | 3376 | |
| 2013 | 2014 | 2269 | 270 | 1232 | - | 3771 | Pre GRI |
| 2014 | 2015 | 2573 | 300 | 2596 | - | 5469 | |
| 2015 | 2016 | 2532 | 725 | 5256 | - | 8513 | |
| 2016 | 2017 | 2995 | 778 | 6010 | - | 9783 | |
| 2017 | 2018 | 3837 | 753 | 5659 | - | 10249 | |
| 2018 | 2019 | 3318 | 869 | 5804 | 29810 | 39801 | |
| 2019 | 2020 | 4096 | 224 | 5283 | 37536 | 47139 | |
| 2020 | 2021 | 3717 | 346 | 4541 | 40505 | 49109 | Post GRI |
| 2021 | 2022 | 4271 | 288 | 4473 | 42871 | 51903 | |
| 2022 | 2023 | 3009 | 349 | 4806 | 38782 | 46946 | |

Note: This Table presents word counts for the various reports analysed in the study, where P2GR refers to the Payments to Government Report and TCR refers to the Tax Contributions Report.

### 4.1 Annual Report

The Annual Reports were the main source of tax information before the publication of the P2GR. The Annual Reports primarily focused on providing figures such as total tax expense in the income statement, deferred tax in the balance sheet, and current tax payments in the cash flow statement. Although the word count for the Annual Report is higher than that of other disclosures except TCR, these are mainly financial figures. These disclosures are revealed mostly to comply with accounting and financial reporting standards. Other than this, very limited tax information is found in the Annual Reports.

During the pre-GRI period, Shell's annual reports show modest and consistent tax disclosures. The lengths of tax-related content ranged from a low of 1,946 words in 2013 (published year) to a high of 3,837 in 2018. Most of these disclosures were often within broader financial reporting sections, without a dedicated narrative or explanation on tax strategy. Key highlights in the Annual Reports during this period included in the form of notes, audit focus and Key Audit Matter (KAM). For example, in the Annual Report 2017, the implications of the United States of America (USA) tax reform were recorded as a KAM.

In the post-GRI period, disclosure length increased significantly, starting at 3,318 words in 2019, peaking at 4,271 in 2022, and even the slight drop to 3,009 in 2023 still exceeded all pre-GRI levels. In terms of audit attention, tax gained prominence during the post-GRI years. It was included as a KAM in 2020, 2021 and 2022's Annual

Reports. However, most of the disclosure is still financial figures, like the pre-GRI period. The type of qualitative disclosures in the Annual Report is mainly 'boilerplate' type statements. For example, in the 'Taxation' notes section of the consolidated financial statement of 2018, Shell has made the following statement (Royal Dutch Shell, 2019a, p. 197), which is repeated in all years through to 2019 to 2022 (Royal Dutch Shell, 2020b, p. 222; Shell 2021a, p. 246; Shell 2022a, p. 261; Shell, 2023a, p. 284):

> The presentation in the balance sheet takes into consideration the offsetting of deferred tax assets and deferred tax liabilities within the same tax jurisdiction, where this is permitted. The overall deferred tax position in a particular tax jurisdiction determines if a deferred tax balance related to that jurisdiction is presented within deferred tax assets or deferred tax liabilities.

Overall, Annual Reports provided very limited additional disclosure regarding tax, other than required by accounting or financial reporting standards, and the content and length showed little variation since the implementation of GRI 207.

### 4.2 Sustainability Report

The Sustainability Report is prepared following the GRI and the International Petroleum Industry Environmental Conservation Association guidelines and includes additional tax disclosure as a part of voluntary tax transparency. The tax disclosure in the Sustainability Report was limited to only a few paragraphs featuring 'Revenue Transparency'. In 2011 (published year), the report contained only a 93-word paragraph. In the report, Shell (Royal Dutch Shell, 2011, p. 7) made the following remark:

> In the interests of transparency and accountability, we believe in the disclosure of revenues that extractive industries pay to host governments.

However, in that year, Shell did not disclose information on tax payments to different governments; it only mentioned the total amount of tax paid globally. Gradually, Shell increased disclosure in the sustainability report every year. Incrementally, the reports began adopting a more formal structure, incorporating Shell's support for mandatory global reporting and referencing regulatory changes in the EU and UK. The disclosures also became more robust, outlining Shell's alignment with OECD principles, commitment to avoiding double taxation, and use of only government-sanctioned incentives. In 2016 and 2017, Shell began linking its tax principles directly to internal governance structures, with explicit references to the Board's oversight of tax as part of its risk management framework. However, the UK Tax Strategy disclosure 2016 came into action from 2017, so the disclosure related to tax strategy also altered.

After the effect of the UK tax strategy disclosure, Shell specifically addressed the four mandated areas: tax risk management, planning, risk appetite, and interaction with HMRC. Shell outlined its governance processes, responsible tax planning principles, low-risk appetite, and cooperative approach to engaging with HMRC. For example, in the Sustainability Report 2016 (Royal Dutch Shell, 2017, p. 65), it is mentioned:

> We comply with applicable tax laws wherever we operate. We are transparent about our tax payments to governments, and we strive for an open dialogue with them. This approach helps us to comply with both the letter and the spirit of the laws.

In 2018, a significant change took place in the Sustainability Report. This year, Shell started mentioning tax payments as a contribution to society. In the Sustainability Report 2017 (Royal Dutch Shell, 2018, p. 36), it stated:

> Our contribution to society includes providing people with access to energy products. The company also contributes through paying taxes, procuring local goods and services, hiring locally, and supporting social investment programs. All this is underpinned by our core values of honesty, integrity, and respect for human rights.

Furthermore, Shell formalised its adherence to the B Team[7] Responsible Tax Principles and emphasised its participation in the OECD's International Compliance Assurance Program (ICAP). The reports in this period offered consistent disaggregated global payment figures, but disclosures remained at the aggregate country level, and voluntary CbCR had yet to begin. However, these disclosures focused primarily on compliance and efficiency, offering little insight into Shell's broader tax philosophy or transparency initiatives.

A shift came in 2019, with the release of Shell's first TCR, introducing voluntary CbCR disclosures for corporate income tax, initially covering one year, and later expanded. The following year, the Sustainability Report included not just global and regional figures but commentary on Shell's presence in low-tax jurisdictions, examples of structural changes (such as exiting financing operations in Bermuda and Switzerland), and a full outline of its seven Responsible Tax Principles. This evolution reflected a clear response to stakeholder demand for granularity, accountability, and ethical tax conduct. Moreover, Shell disclosed new taxes introduced in 2022, such as the EU solidarity contribution and the UK Energy Profits Levy, showing the company's adaptive transparency in a shifting tax environment.

Throughout the post-GRI period, Sustainability Reports also featured detailed accounts of Shell's engagement with policymakers, its role in developing the Dutch Tax Governance Code (TGC), and continued alignment with international best practices like EITI and Business at OECD.

While Annual Reports focused primarily on statutory tax expense disclosures and deferred tax notes, the Sustainability Reports engaged with broader stakeholder concerns and included elements such as stakeholder engagement and tax-related incentives, areas that were either absent or only superficially addressed in the Annual Reports.

### 4.3 Payments to Governments Report (P2GR)

In 2012, Shell published its first P2GR, which was only a two-page (1,111 words) statement of tax payment about 14 selected countries. Regarding this disclosure, Shell's Chief Financial Officer made the following comment in the report (Royal Dutch Shell, 2012, p. 1):

[7] The B Team is a global non-profit organisation that promotes sustainable, responsible, and ethical business practices. The B Team Responsible Tax Principles focus on tax management, interactions with different authorities and other stakeholders and reporting. See The B Team, 'Advancing responsible tax practice', https://www.bteam.org/our-work/causes/governance/advancing-responsible-tax-practice (accessed 1 December 2025).

> In the interests of transparency and accountability, we believe in the disclosure of revenues that extractive industries pay to governments.

This statement is very similar to the remark in 2011 for the Sustainability Report (see above). It includes information on income tax, royalties, sales tax, and production by segments (Upstream and Downstream/Corporate) in different countries.

From 2013 to 2015, the format and coverage remained relatively static. However, in 2016, Shell began complying with the UK's Report on Payments to Governments Regulations 2014 (amended in December 2015), marking a major shift from voluntary to mandatory reporting. The number of reported countries increased in that year to 24, excluding countries where payments were below GBP 86,000.

By 2017, the report encompassed 29 countries, with disclosures presented at both the country and project levels. The disclosure length also increased to over 6,000 words by 2016. Despite this growth, the reports during this phase remained predominantly quantitative, lacking a strategic narrative or governance context.

The post-GRI period marks a further evolution, with Shell embedding tax transparency within a broader corporate framework through the introduction of the TCR in 2019. While Shell continued to publish the P2GR in compliance with UK regulations, its prominence diminished as the TCR assumed the central role in articulating Shell's tax values, strategy, and stakeholder commitments. This shift is evident in the declining P2GR word counts, from 5,804 in 2019 to 4,473 in 2022, with a slight increase to 4,806 in 2023, indicating a streamlining of the report's function within the company's suite of disclosures (see Table 2).

Despite this reduced length, the depth and specificity of the P2GR remain unmatched. For example, the 2020 P2GR includes highly detailed information on project-by-project payments, specifying the government entities receiving funds, differentiating between operator and partner payments, and even noting refunds and negative payments. It also discloses in-kind payments made through production-sharing agreements, which are not reported in Shell's other reports. Furthermore, the P2GR offers methodological transparency, explaining definitions, thresholds (such as the GBP 86,000 minimum), exchange rate treatment, and the basis for project classification. These features give the report a level of technical precision and regulatory clarity absent from the more narrative-driven Sustainability Report or the consolidated financial summaries in the Annual Report. The P2GR complements Shell's tax principles, governance structures, and ethical commitments with granular financial disclosures.

### 4.4 Tax Contribution Report (TCR)

The introduction of Shell's TCR marked a major milestone in the company's approach to tax transparency. Unlike the Annual Report, Sustainability Report, and P2GR, the TCR provided a dedicated platform for Shell to articulate and document its tax contributions, strategies, and governance in a detailed, structured, and values-driven manner. Over the period, the TCR expanded significantly in both volume and scope, growing from approximately 29,810 words in 2019 to 42,871 in 2022, before slightly decreasing to 38,782 in 2023. This steady increase in word count signals a growing institutional commitment to providing stakeholders with deeper, more nuanced insights into Shell's global tax practices. Regarding the TCR, Shell mentioned in the report (Royal Dutch Shell, 2019b, p. 3):

> This report builds on the information Shell provides in its Annual Report and Form 20-F, Sustainability Report, and Payments to Governments Report. For the first time, Shell voluntarily publishes the corporate income tax paid in each country and location for 2018.

Further, the Chief Financial Officer mentioned (Royal Dutch Shell, 2019b, p. 4):

> But transparency is about more than just numbers. It is also about providing insight into our corporate structure and why we own entities in different countries and locations. It is about explaining why we pay the taxes we pay, and why we are not required to pay taxes in some jurisdictions. It is about providing greater understanding of our business activities around the world: where we make our profits, and where we are investing.

Shell did not mention the adoption of GRI 207 in the TCR published in 2019 because, at that time, it was not officially in operation, but it includes most information under GRI 207-1 (approach) and GRI 207-3 (concerns). This is because Shell complied with the UK requirements of tax strategy disclosure and payment to government requirements, and the GRI 207 includes information on both reports.

Besides, in this report, Shell published the first comprehensive CbCR, including tax payment information for 98 countries out of their presence in 99 countries. This information also includes most conditions of GRI 207-4. However, for CbCR, Shell follows the guidelines of BEPS Action Plan 13 rather than adhering to those of GRI 207-4. It appears that Shell used this first year to start to develop internal systems to see if it could gather the relevant information ready for the hard start date of 2021.

In the next years, Shell continued the TCR and increased the disclosure to 37,536 words, keeping it consistent with 2019. In 2020, Shell also updated its tax principles and adopted the B Team Responsible Tax Principles. In the TCR, Shell continued to disclose and justify sensitive tax issues such as book and tax income differences, availing tax incentives or presence in tax havens. For example, in TCR 2019, Shell provided an explanation about ETR (Royal Dutch Shell, 2020, p. 33):

> Average oil and gas industry prices in 2019 were lower than in 2018. This would have led to an expectation of a reduced ETR. However, in 2019 we had more expenses that are not deductible for tax purposes and one-off accounting adjustments, resulting in a higher ETR of 35.5% in 2019 compared with 32.9% in 2018.

In 2021, when Shell published its TCR 2020, GRI 207 became officially effective. Shell declared that GRI 207 would be followed from this year. The TCR for 2020 covers the Covid-19 pandemic year. That year, the world experienced the first negative oil price in history, and Shell recorded a loss of USD 27 billion. However, Shell still paid USD 3.4 billion in corporate income tax in 2020, largely because of the payment of some taxes in arrears and the profit of some companies in a few jurisdictions, resulting in a negative ETR. Furthermore, Shell disclosed that it utilised 153 types of tax incentives in that year. As tax incentives are susceptible to measures of tax avoidance, Shell justified their use in the report as follows (Shell, 2021b, p. 25):

> We seek to ensure that tax incentives are transparent and consistent with statutory and regulatory frameworks before deciding whether to make use of

> them. We only make use of incentives where they are aligned with our business and operational objectives and where we have a qualifying business activity.

Further, Shell mentions (Shell, 2021b, p. 26):

> We will escalate a decision to accept tax incentives that are not specified in law or not generally available to other industry participants. If we accept any such incentives, we will encourage the relevant authorities to make details of these incentives publicly known. In addition, we will make data available for governments to assess the economic impact of incentives when requested to do so by the relevant authorities.

In 2022 and 2023, Shell continued to comply with the GRI 207 except for the CbCR. The disclosure length for the TCR was 42,871 and 38,782 words, respectively. Interestingly, the disclosure volume decreased slightly in 2023. However, Shell continued to mention their tax strategies and linked them with the corporation's overall strategy. For example, Shell provided a qualitative explanation of their presence in tax havens (Shell, 2022b, p. 34):

> We conducted a review in 2019 and 2020 of Shell-controlled and Shell-operated entities incorporated or present in low-tax jurisdictions against our Shell Responsible Tax Principles. The review considered the purpose of the entity and whether it should continue to be in that jurisdiction. We identified entities that are no longer active and can be liquidated as a matter of good corporate governance. We also identified entities that can be restructured, held, or operated from another jurisdiction. In other cases, our review concluded that the entities could remain in low- or zero-tax jurisdictions because there was a commercial reason for being there. Since 2019, we have liquidated 18 legal entities in low-tax jurisdictions, including in Bermuda and Saint Lucia, and we are liquidating 33 others.

Before the publication of the TCR, such information was highly confidential to the corporation and was hard to obtain for an outsider. However, the standard made it publicly available. Research has demonstrated that MNCs often shift profits to tax havens where they do not have substantial economic activity (Garcia-Bernardo et al., 2021; Garcia-Bernardo & Janský, 2024). From the quoted statement from the TCR, it is observed that Shell is informing its stakeholders about their presence in tax havens, and they are also justifying their presence in tax havens due to commercial reasons, like crude oil trading and retail sites. However, a generic example is mentioned as a commercial reason, and why any specific jurisdiction was chosen is not mentioned. Further to justify their presence, Shell states (Shell, 2022b, p. 34):

> In line with the Shell Responsible Tax Principles, we do not use these jurisdictions to avoid tax on activities that take place elsewhere.

Overall, it appears that many of the statements made appear to be consistent with legitimacy theory to justify either low tax payments or the transactions undertaken. While the tax disclosure is part of 'soft law', it is not clear whether the 'tell-tale heart effect' has really resulted in Shell reducing its engagement in unethical tax minimisation.

The TCR differentiates itself from Shell's earlier reports by integrating detailed financial disclosures with strategic narratives. Unlike the Annual Report or

Sustainability Report, TCR presents consolidated tax expenses and ETR reconciliations without disaggregation or context and provides CbCR tax data, explains variations in tax payments, and includes narratives on tax incentives, low-tax jurisdictions, and Shell's operational choices.

Compared to the P2GR, which remains focused on disaggregated payment data (such as royalties, bonuses, and production entitlements) at a project and country level, the TCR offers a strategic synthesis. It not only integrates the P2GR's factual payment disclosures but also explains how and why these payments are made. It provides a clear narrative on methodology and treatment of refunds, and changes in reporting structure, thus providing readers with the context to interpret the raw data meaningfully.

A thematic comparison across Shell's disclosure outlets before and after GRI 207 is summarised in Table 3.

Overall, the four reports share a common foundation to enhance transparency and build public trust. The findings demonstrate that the TCR does not replace the other reports but complements them, building upon their strengths while filling critical gaps. It incorporates the quantitative precision of the Annual Report, the ethical tone of the Sustainability Report, and the regulatory compliance of the P2GR. In doing so, it appears that Shell's TCR sets a high benchmark for integrated tax transparency.

**Table 3: Comparative Thematic Evolution Across Reports**

| Report Type | Pre-GRI 207 | Post-GRI 207 |
|---|---|---|
| Annual Report | • Basic tax expense and deferred tax figures<br>• Minimal narrative disclosures | • Slight increase in tax discussion length<br>• Continued focus on financials, including tax in KAM |
| Sustainability Report | • Brief mention of tax payments<br>• Emphasis on compliance, transparency principles | • Explicit link to tax strategy and governance<br>• Inclusion of stakeholder engagement, tax fairness, and societal framing |
| P2GR | • Started voluntary reporting<br>• Country-level payments for selected jurisdictions during the voluntary regime. | • Expanded country/project coverage<br>• Slight decline in length post-TCR introduction |
| TCR | Not published | • Introduced in 2019<br>• Integrates strategy, payments, and justification<br>• GRI-aligned<br>• Detailed CbCR data |

Further, after analysing the reports, the tone and language of the disclosures do not suggest that Shell was addressing any particular stakeholder group, but suggest an incremental change in disclosure. However, in the post-GRI 207 period, particularly through the TCR, Shell's emphasis on tax contributions to society, justification of tax incentives, and explanations around presence in low-tax jurisdictions reflect a broadened narrative. This suggests a gradual shift away from investor-centric reporting towards acknowledging the concerns of NGOs, civil society, and socially responsible stakeholders. Whilst this shift is likely driven by rising societal expectations for transparency, GRI 207 appears to have provided a structured opportunity for Shell to extend its stakeholder engagement by embedding these concerns more explicitly in its tax disclosures.

### 4.5 Shifts in tax aggressiveness

In an endeavour to see if tax disclosure has reduced tax aggressive behaviour by Shell, the ETR is calculated. Shell's tax aggressiveness is calculated for each year using its ETR and Cash ETR. Further, long-term ETR and long-term Cash ETR are also calculated for the pre- and post-GRI 207 period. The results are summarised in Table 4.

Shell's ETR and Cash ETR fluctuated over time. ETR could not be calculated in 2016 and 2021, because the company experienced a negative income tax charged in 2015 and pretax loss in 2020. In 2015, Shell recognised significant impairment adjustments due to the discontinuation of certain large projects and activities, such as Alaska drilling and the Carmon Creek project in Canada. Also, oil and gas prices reduced significantly in the year, resulting in a low pretax income. Moreover, Shell paid some arrears tax and advance tax in that year which did not correspond to 2020's income. This resulted in an unusually high cash ETR. On the other side, 2020 was the Covid-19 year when oil use and price reached a record low and resulted in a large loss for Shell. Therefore, it is argued that the ETR and Cash ETR of 2016 and 2021 are not comparable for impact analysis.

**Table 4: Calculated ETR, Cash ETR, Long-Term ETR, and Long-Term Cash ETR**

| Report Publication Year | Pretax Income (USD in millions) | Tax Paid (USD in millions) | ETR (%) | Cash ETR (%) | Adjusted ETR (%) (Schwab et al, 2022) | Long ETR (%) | Long Cash ETR (%) |
|---|---|---|---|---|---|---|---|
| 2011 | 35,344 | 15,362 | 42 | 43 | 53 | 43 | 49 |
| 2012 | 55,660 | 22,622 | 44 | 41 | 52 | | |
| 2013 | 50,289 | 21,030 | 47 | 42 | 56 | | |
| 2014 | 33,592 | 20,309 | 51 | 60 | 61 | | |
| 2015 | 28,314 | 14,299 | 48 | 51 | 50 | | |
| 2016 | 2,047 | 7,673 | -* | -* | 135 | | |
| 2017 | 5,606 | 4,434 | 15 | 79 | 51 | | |
| 2018 | 18,130 | 6,307 | 26 | 35 | 35 | | |
| 2019 | 35,621 | 9,671 | 33 | 27 | 37 | 37 | 33 |
| 2020 | 25,485 | 7,605 | 36 | 30 | 33 | | |
| 2021 | -26,967 | 3,290 | -* | -* | 27 | | |
| 2022 | 29,829 | 5,476 | 31 | 18 | 39 | | |
| 2023 | 64,815 | 13,120 | 34 | 20 | 35 | | |

*: ETR could not be calculated in 2016 and 2021, because the company experienced a negative income tax charge in 2015 and pretax loss in 2020.

To overcome the unusual nature of ETR and Cash ETR for 2016 and 2021, long-term ETR and long-term Cash ETR are calculated. The period of pre- and post-GRI 207 time is used to measure these variables. Long-term measures eliminate the limitations of the arrears tax and the advance tax. As a longer period is considered, it provides a more comprehensive picture of the tax strategy of the corporation, minimising deferred tax issues. It shows that in the post-GRI 207 periods, long-term ETR and long-term Cash ETR decreased to 37% and 33% from prior periods of 43% and 49%, respectively. This would suggest that the greater tax disclosure has led to a lower effective tax rate.

In addition to testing the robustness of the ETR-based measure, the study calculated the Adjusted ETR to find the structural tax aggressiveness. In the pre-GRI period, Adjusted ETR was mostly above 50% except in 2018. On the other hand, in the post-GRI period, Adjusted ETR was mostly less than 40%. That means, in the post-GRI period, Adjusted ETR also decreased.

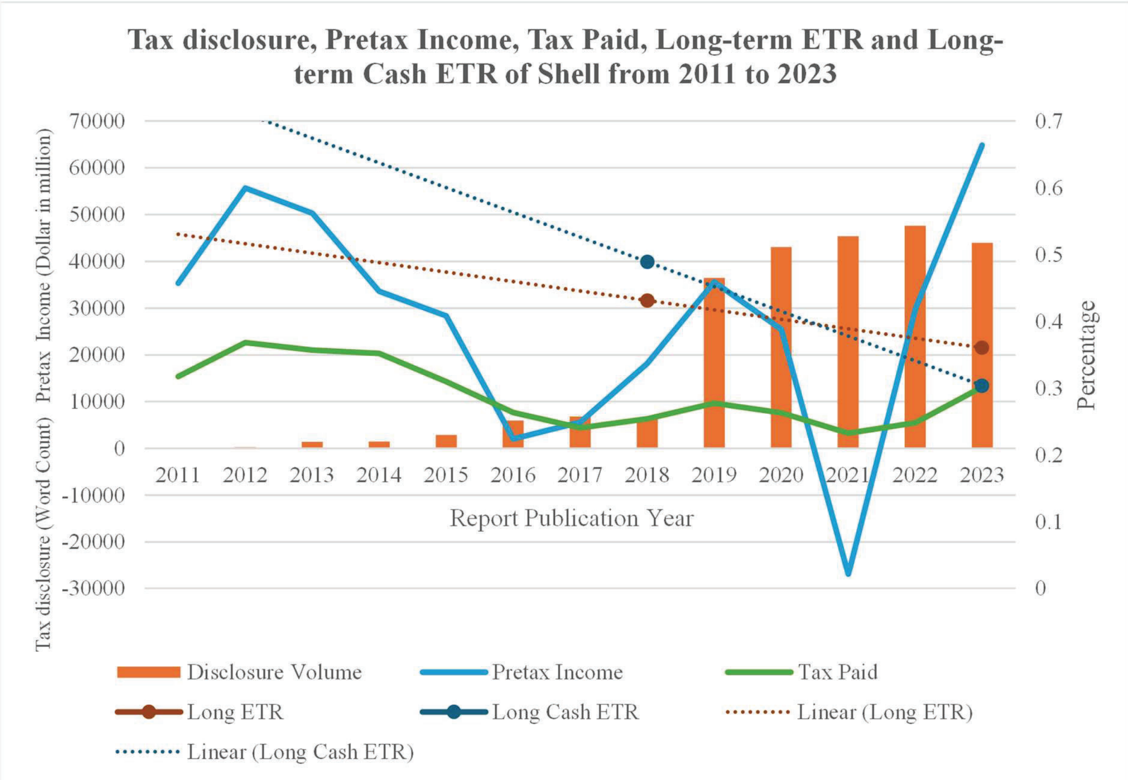
To observe the tax disclosure trend during the study period with pretax income and cash tax paid, a time series was developed, with a linear plot drawn by putting the long-term ETR and long-term Cash ETR points on a graph. Figure 1 illustrates that in the post-GRI 207 period, the tax payment to pretax income trend changed compared to the pre-GRI period. The gap between tax payments and pretax income increased significantly in the post-GRI period. Meanwhile, in the post-GRI period, tax disclosure also increased significantly. Therefore, it indicates that while Shell's tax disclosures have increased, the corporation has also adopted strategies to reduce its tax burden.

These findings are overall consistent with those of Mgammal (2020) and Xia (2025), that is, it appears that Shell has attempted to mitigate the disclosure problem when there are low effective tax rates by increasing its volume of tax disclosure. Additionally, while there are longer disclosures, there can be an absence of hard (detailed) information (Kao & Liao, 2021). This can suggest that the more words used in a disclosure, the more there might be to be concerned about.

## 5. FINDINGS

Shell's tax transparency evolved markedly between 2011 and 2023. Prior to GRI 207, tax-related disclosures were largely shaped by UK legal requirements in the Annual Report and Sustainability Report. These were mainly financial statements and a brief overview of tax compliance. A notable turning point is the UK's 2016 tax strategy disclosure requirement. The law required Shell to publish more structured and narrative-driven discussions on governance and tax risk. Simultaneously, Shell began publishing the P2GR, voluntarily reporting tax payments in 14 countries. Once the reporting became mandatory, the number of reported countries increased to 24, and eventually to 34 in the post-GRI period. From 2019, TCR highlights the limitations of voluntary disclosures compared to regulatory mandates. It also supports the argument that non-regulatory, reputational forces can alter organisations' cost-benefit calculus around tax behaviour (Dyreng et al., 2016).

**Fig. 1: Long-Term ETRs and Tax Disclosure**




It is suggested that the TCR marked a strategic shift in Shell's transparency approach. It is aligned closely with GRI 207. Unlike the Annual Report or P2GR, the TCR consolidates financial data, governance, and stakeholder narratives into a dedicated platform. Even before GRI 207 took effect, Shell's early TCRs reflected partial alignment, particularly with GRI 207-1 (tax strategy), 207-2 (governance), and 207-3 (stakeholder engagement). However, Shell opted to report CbCR data using the OECD's BEPS Action Plan 13 bottom-up approach rather than adopting GRI 207-4's top-down, public format (Brown et al., 2024). This suggests Shell's selective compliance based on reputational and commercial considerations.

Between 2019 and 2022, TCR disclosure volume increased approximately 40%, demonstrating institutional commitment to transparency. These reports introduced granular justifications on sensitive issues such as tax incentives, presence in low-tax jurisdictions, and book-tax differences. Shell disclosed using 153 tax incentives in 2020 alone and framed their legitimacy around business alignment and legal compliance. The TCRs also included narrative explanations for Shell's presence in tax havens, liquidation of 18 entities, and plans to restructure or exit others, citing commercial reasons. While this aligns with the transparency goals of GRI 207, it is also possible that the disclosures were intended more for legitimacy management rather than to evidence behavioural change.

To assess the behavioural impact of GRI 207, Shell's tax aggressiveness was measured using ETR, cash ETR, long-term ETR, and adjusted ETR. On average, during the post-GRI period, Shell's ETR and cash ETR were lower than in the pre-GRI period. Even the long-term ETR and long-term cash ETR also reduced in the post-GRI period. Moreover, the adjusted ETR that represents structural tax aggressiveness decreased in the post-GRI period. That means, after adopting higher disclosure, Shell became more tax aggressive in terms of ETR-based measures. However, this finding contrasts with findings like Rudyanto (2025), who observed reduced tax aggressiveness with increased transparency in Indonesian firms. The divergence may stem from industry differences, enforcement contexts, and Shell's strategic use of soft-law disclosures to preserve legitimacy in a high-risk, extractive sector.

Furthermore, Shell's TCRs attempted to justify declining ETRs by referencing non-deductible expenses, one-off adjustments, and legitimate business structuring. For example, in 2019, Shell explained its increased ETR as driven by disallowed expenses rather than a shift in tax planning. This pattern supports the 'tell-tale heart effect', where transparency serves to explain and defend outcomes rather than to reform practices. It also reinforces legitimacy theory: Shell's extensive narrative disclosures function as a reputational shield amid stakeholder scrutiny. These findings are consistent with Oats and Tuck (2019), who argue that voluntary disclosure under soft-law regimes may have a limited impact on curbing tax aggressiveness. Similarly, Blaufus and co-authors (2025) observe that UK firms often tailor the tone of their tax strategy statements to portray themselves as compliant and responsible, even when their underlying tax behaviours suggest otherwise.

In addition, comparative analysis across Shell's Annual Reports, Sustainability Reports, and TCRs illustrates a clear evolution in purpose and depth. The Annual Reports focus on statutory reconciliation, the Sustainability Reports increasingly frame tax as a corporate responsibility, while the TCR provides the most comprehensive view, integrating strategy, governance, and narrative aligned with GRI 207. Yet, despite Shell's formal adoption of GRI 207 in 2021, the company continued to bypass full compliance with GRI 207-4, preferring the OECD's confidential, aggregated CbCR method. This limits comparability, transparency, and stakeholder oversight.

Overall, GRI 207 introduced important new dimensions to tax transparency, particularly board-level oversight, stakeholder dialogue, and disclosure of operational context. Shell adopted GRI 207-1 to 207-3 with relative ease. It is mainly because many elements of the standard mimic the UK's tax strategy disclosure and the OECD's CbCR. However, it resisted GRI 207-4 due to the commercial and political challenges associated with public, top-down country-by-country reporting. This selective compliance underscores a broader issue with soft-law frameworks: they allow firms to engage with transparency on their own terms.

Shell's reporting behaviour aligns with Hoopes and co-authors' (2024) taxonomy of tax disclosures, where public, voluntary mechanisms like GRI 207 serve reputational objectives but lack enforcement power. In contrast, the OECD's CbCR is confidential and mandatory, intended for tax authorities. Shell's preference for the latter illustrates the limits of voluntary standards in constraining aggressive practices. Moreover, Shell's decision not to seek third-party assurance for its TCR, despite GRI 207-2(c) suggesting it, further undermines the legitimacy of its claims.

## 6. LIMITATIONS AND FUTURE DIRECTIONS

Despite offering robust insights, this study is subject to several limitations. First, it adopts a single case study approach, focusing solely on Shell plc, a large multinational in the extractive industry. As Shell had already engaged in extensive voluntary tax disclosures before the implementation of GRI 207, the observed changes in its reporting and tax behaviour may not be solely attributable to the standard itself. In this regard, Shell can be seen as an early adopter or leading example, suggesting that the effects identified in this study likely represent the minimum impact GRI 207 could have. Consequently, this limits the ability to draw strong causal inferences or generalise the findings across other firms or contexts. As such, the findings may not be generalisable to other industries or smaller firms operating under different regulatory regimes. Second, the study is context-specific, anchored in the UK's tax disclosure environment, where pre-existing legal obligations such as the UK tax strategy disclosure and OECD's CbCR participation have already shaped corporate practices. Thus, we caution against extending these findings to jurisdictions with less stringent disclosure regimes. Future studies may explore a multi-company case study in this area. Third, while the use of ETR, cash ETR, and adjusted ETR offers useful quantitative proxies for tax aggressiveness, they do not capture the full complexity of tax planning strategies.

Moreover, the analysis is limited to publicly available documents and does not include stakeholder perspectives from tax authorities, shareholders, or civil society. This absence of qualitative insights constrains the understanding of how disclosures are perceived and whether they influence trust. Another limitation lies in the absence of third-party assurance on Shell's TCRs, which may affect the credibility of self-reported data.

Future research could expand on this study by conducting comparative analyses across industries or jurisdictions with varying levels of regulatory stringency. Cross-sectional or panel data approaches could provide a broader empirical foundation to evaluate the impact of GRI 207 on tax behaviour. Incorporating stakeholder interviews or surveys would offer valuable qualitative insights into the perceived effectiveness and credibility of GRI-aligned tax disclosures. Researchers could also explore the interplay between soft-law frameworks like GRI 207 and emerging hard-law instruments such as the EU's Public CbCR or the OECD's Pillar Two. Finally, the development of more nuanced proxies for tax aggressiveness leveraging data from detailed CbCR could enhance the precision of future assessments.

## 7. CONCLUSION

This study builds on the body of literature on tax transparency by providing useful insights into the evolution of tax transparency of one company resulting from the changing regulatory landscape in the UK. It is possible that Shell's evolving tax disclosures may reflect a broader trend of moving from minimal statutory compliance to voluntary strategic transparency, which could be explored further in future research. The findings suggest that while Shell substantially increased the volume and narrative depth of its tax disclosures through the TCR, the impact on its tax behaviour remains unclear or limited, particularly in terms of reducing tax aggressiveness. This outcome may reflect the limitations of voluntary disclosure frameworks like GRI 207, which lack enforceable mechanisms to drive substantive behavioural change. Further, Shell's partial compliance with GRI 207-4, selective adoption of OECD, and lack of third-party assurance reflect the limitations of voluntary frameworks. Transparency was often used to justify existing practices, rather than alter them, aligning with legitimacy theory and legal realism. It is suggested that GRI 207 improved visibility into Shell's tax practices but fell short of effecting behavioural change, reinforcing the need for enforceable mechanisms to ensure that transparency translates into accountability.

## 8. References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