

# Company law: annual financial statements, consolidated financial statements and related reports of certain types of undertakings

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The Council held an **orientation debate** on the review of the accounting rules applicable to EU companies, specifically dealing with reporting on payments to governments.

The outcome of the debate provides guidance for the continuation of technical work with the purpose is to **reach an agreement on the simplification of the accounting directives by the end of June 2012**, in line with a request made by the European Council.

The proposal for an obligation to report on payments made by the extractive industry and loggers of primary forest to governments (also referred to as country-by-country reporting) is part of the Commission's "socially responsible business" strategy. It is included in the draft directive that will replace the current "accounting directives".

The key objectives of the proposed review are:

- the reduction of administrative burden and the application of simplified accounting rules for SMEs;
- to increase the clarity and comparability of financial statements; and
- **to enhance transparency on payments made to governments by the extractive industry and loggers of primary forest.**

Based on a Presidency questionnaire, the discussion focused on the last-named objective.

In order to promote governments' accountability, transparency and good governance, the proposal introduces new reporting requirements for large undertakings and all public-interest entities active in the extractive industry or in the logging of primary forests. The draft directive proposes that these companies shall disclose the payments they make to governments in each country where they operate and for each project.

In this context, some **specific issues** of the proposal remain to be debated, of which the most important are:

1. Should disclosures be provided on a country-by-country level or on a country-and-project level?
2. Should the definition of materiality of payments be defined in the directive or should the Commission be empowered to specify the concept of materiality by means of delegated acts?
3. Should undertakings active in the logging of primary forests be included in the proposal?
4. Should payments to Member States also be disclosed?

The ministerial discussion showed that there was a **clear acceptance of the objective to improve transparency in this field**. Some delegations, however, expressed the need to **examine the proposal in more detail** as well as the need to take into consideration every angle of the impact that the proposed legislation will have on the competitiveness of European undertakings.

A large number of delegations expressed concerns about **reporting on a “project” level**. In addition, most delegations expressed preference to include a definition of “**materiality**” of payments in the future directive.