14 February 2014 by Jonathan Minter

The European Union (EU) co-legislators are closer to reaching an agreement on mandatory non-financial and diversity reporting, which would amend the Accounting Directive, as early as next week, The Accountant has learned.

This follows two rounds of negotiations on the topic, the second of which took place in early February. An EU source told The Accountant that these talks took "a very constructive approach."

As a result, the source said, the Greek Presidency of the EU Council is confident that an agreement will be reached very soon.

Currently, there are still some issues over the scope of the directive and the level of detail in the reporting of diversity. There are also issues around the proposed country-by-country reporting on tax matters, which aims to improve transparency by providing a breakdown of a company's revenue by country.

This is already present in the EU Accounting Directives for large undertakings and all public-interest entities active in the extractive industry or the logging of primary forests.

Country-by-country reporting is already currently under debate in international bodies such as the Organisation for Economic Co-Operation and Development (OECD), and one suggested compromise has been to see how this develops, along with an EU Commission impact assessment on the possible effects.

With regards to the diversity reporting, some EU countries have argued against any compulsory legislation, while other EU countries have argued in favour of detailed, mandatory rules. The current compromise being suggested is something along the lines of a comply or explain system.

The issue of the scope of the proposal still requires finding a middle ground, though, with the majority of the member states wanting only listed companies to come under the scope of the proposal, and the original proposal requiring all companies, listed or not, with more than 500 employees.

Although it is uncertain whether or not the committee of permanent representatives of the EU member states will achieve the qualified majority it needs in order to pass the amendment, there is an increasing sense of urgency to the negotiations, caused by the upcoming European Parliamentary elections, which will temporarily halt the legislature in April.

If nothing has been agreed by then, the reform will likely not pass for a year. As it is, though, it appears the negotiations are "on a good path to reach an agreement soon."

Related story

EC to propose mandatory non-financial reporting