

AccountancyAge

EU Parliament adopts non-financial reporting rules

by Richard Crump

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LARGE COMPANIES within the EU must disclose a host of non-financial information in their annual reports after European lawmakers overwhelmingly approved new accounting rules.

Under the new reporting requirements, passed by 599 votes to 55 at a session of the parliament in Strasbourg, [companies](#) with more than 500 employees will need to disclose information about environmental social and employee-related matters in addition to human rights, anti-corruption and bribery issues, and boardroom diversity.

The directive gives companies [flexibility](#) to disclose relevant information in the way that they

consider most useful, or in a separate report. Companies may use international, European or national guidelines which they consider appropriate (for instance, the UN Global Compact, ISO 26000, or the German Sustainability Code).

Around 6,000 companies will be affected by the change, compared to the 18,000 [businesses](#) that would have been covered by the legislation under the European Commission's original proposals. SMEs are now exempt from the rules.

Despite the EC's original proposals being watered down, internal markets commissioner Michel Barnier [pictured] welcomed the new legislation. "Companies, investors and society at large will benefit from this increased transparency," Barnier said.

The changes were also hailed as a positive move for investors by the UK reporting watchdog.

"The FRC worked closely with European Union institutions and the UK government to ensure that the risk of proliferation of 'boilerplate' was removed. This will ensure that investors receive only relevant and proportionate information," said Stephen Haddrill, chief executive of the FRC.

"By allowing flexibility around the location of these disclosures, it will enable companies to disclose information in a manner that communicates most effectively."

In order to become law, the Commission's proposal needs to be adopted jointly by the European Parliament and by the EU Member States in the Council (which votes by qualified majority). The Council is expected to formally adopt the proposal in the coming weeks.

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