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Accounting transparency

EP votes for transparency on companies' activities key for ethical operation in developing countries

Crucial new draft EU legislation on accounting and transparency was voted on by the legal affairs committee in the European Parliament today (1). The Greens welcomed the support of MEPs for greater transparency on companies' activities, notably for project reporting and on payments to governments, which will help prevent unethical corporate activities in developing countries and beyond.

Commenting after the vote, Green legal affairs spokesperson **Eva Lichtenberger** stated:

"These votes represent a welcome step to tightening up the draft rules on accounting transparency with a view to clamping down on and limiting unethical activities by corporations.

"Clear and detailed project reporting is crucial for the extractive and forestry sectors, with a view to limiting the ability of irresponsible firms to unethically extract resources from developing countries and conflict regions, as well as limiting the scope for corruption and bribery in these areas. The Greens believe today's vote improves the draft legislation, bringing it in line with similar provisions under US law (the Dodd-Frank bill).

"MEPs have voted for a comprehensive and precise definition of projects, with a lower material threshold, which will help ensure important information cannot be glossed over or omitted. However, it is hard to see why project reporting should be limited to these sectors. Many developing countries depend on agricultural products and infant industries, which are not covered. The Greens regret that it was not possible to extend the scope of project reporting."

Commenting on the provisions on country reporting, Green legal affairs spokesperson **Gerald Häfner** continued:

"MEPs have today voted for transparent country-by-country reporting, which is essential as part of the global fight against corruption, bribery and tax evasion. Clear and detailed information is crucial for companies' reporting both on projects but also at country level. This transparency facilitates the scrutiny of what multinational companies do, own and pay to governments, whether by the authorities or civil society.

"Today's votes would strengthen the draft legislation in this regard. In particular, the Greens welcome the provisions on payments to governments, which will hopefully narrow the window for bribery and corruption.

While we would have preferred a lower threshold, the declaration of all payments above €80,000 is nonetheless an important improvement on the current situation. However, the Greens regret the failure to include net profit and loss before tax in the country reports."

(1) The EP's legal affairs committee, the lead legislative committee, voted on the draft accounting directive (Lehne report) and the draft transparency directive (McCarthy report).

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