Summary of the Fifth Meeting of the EU-Japan Working Group on Corporate Social Responsibility

I. Date and venue
Date: November 23, 2018; from 13:45 to 18:00
Venue: Thon EU Hotel, rue de la Loi; 75, 1000 Brussels, Belgium

II. Attendees
Afternoon: Open session

Chairs:
- Ms. Kayo Matsumoto, Director, Corporate Accounting, Disclosure and CSR Policy Office, Economic and Industrial Policy Bureau, METI
- Ms. Kristin Schreiber, Director, SME Policy & COSME, Directorate General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW), European Commission

Attendees:
Japanese side:
- METI: Ms. Keiko Murayama, Chief Corporate Accounting, Disclosure and CSR Policy Office; Osamu Saito, Mission of Japan to the EU
- IDE-JETRO (Institute of Developing Economies, Japan External Trade Organization): Ms. Miwa Yamada, Director, Law and Institution Studies Group, Institute of Developing Economies
- CSR Forum: Mr. Hidemi Tomita
- Officials from the Council for Better Corporate Citizenship (CBCC); the Business Policy Forum, Japan; the Japan Business Council in Europe (JBCE)
- Representatives from the Japan Business Federation (Keidanren) and of some of its member companies

EU side:
- MMr. Giacomo Mattinò, Head of Unit DG GROW/H2, Crispin Waymouth, Deputy Head of Unit DG GROW/H2, MMs. Evelyne Hania, Alexandra Kuxová and MMr. Istvan Németh, Policy Officers DG GROW/H2, Michal Spiechowicz, Policy Officer, DG GROW/C2
- MMs. Sarah Gondy and Liva Andersone, Policy Officers, DG TRADE/D1
Under the co-chairmanship of Director Matsumoto, METI, and Director Schreiber, DG GROW, the Government-to-Government session brought together the officials from METI and the EU. Both sides exchanged information on recent developments on CSR-related policies of the governments of Japan and the European Commission.

- **Ms. Schreiber** from DG GROW/H, European Commission, delivered opening remarks. She stated that the European Commission highly welcomes the opportunity to continue sharing experiences on CSR with Japan and discuss ways on how governments can support enhancing companies' positive impact on society, while mitigating their potential negative impact. She announced the forthcoming release of a EC Reflection Paper “Towards the sustainable Europe 2030” on the way forward on sustainability and the implementation of the Sustainable Development Goals (SDGs). She introduced the presentations of the afternoon, including on the latest developments on EU policy on CSR/SDGs, on the Non-Financial Reporting Directive, on trade aspects of responsible supply chains and on value chains approaches in sustainable sourcing of raw materials.

- **Ms. Matsumoto**, from the METI, welcomed the participation to the 5th CSR WG meeting and introduced the presentations on the Japanese side. She encouraged participants to ask questions and make comments to enrich the discussion of the present issues and to think ahead of the possible issues to be taken by the next
CSR WG.

- **Mr. Mattinò** from DG GROW/H2, European Commission, provided an overview of the latest EU actions with relevance to CSR/SDGs. DG GROW has carried out a stocktaking exercise to establish as complete a picture as possible of EU CSR/RBC actions since the 2011 CSR Strategy. But EU policy in this area is closely connected to the wider exercise on implementing the UN Sustainable Development Goals (SDGs). In this context, business should play its proper role in implementing the SDGs, consider all aspects of social, environmental and economic sustainability in its conduct, respect human rights in its actions and internalize all these in its operations. This approach is likely to be outlined in a Reflection Paper “Towards sustainable Europe 2030” that is expected to be released in January 2019. The aim is to disseminate the outcome of the stocktaking exercise soon after that date.

- **Ms. Matsumoto** gave an update on policies governing CSR in Japan. Japanese CSR policy is aimed at fostering companies’ sustainable value creation and therefore in line with the idea that underlies the corporate governance reform. In both corporate governance reform and CSR policy, METI thinks it important to provide better environment for dialogue between companies and investors. In that sense, ESG information disclosure is important. She explained recent developments relating to the corporate disclosure rules. It is expected that more ‘G’ information of ESG (Environment /Social/ Governance) disclosure will be made, such as disclosure under Financial Instruments and Exchange Act, and disclosure under Companies Act. On voluntary disclosure of material environmental and social information, METI has several study groups to foster companies’ efforts to provide material E and S related information. She introduced the recent developments in business and human rights. The Government of Japan has initiated its process to formulate a National Action Plan (NAP) on Business and Human Rights as one of the important measures of the Expanded SDG Action Plan 2018. It has formed the inter-ministry/agency group on Business and Human Rights. The Business Policy Forum Japan will conduct a survey on efforts of Japanese listed companies concerning Business and Human Rights, which results will be published by the spring 2019.

- **Mr. Dodd** from DG FISMA/B3, European Commission, has given an update on
the Non-Financial Reporting Directive (NFRD). Reporting concerns business model, policy, outcomes, risks and key performance indicators. It is essentially principles-based and not prescriptive. The non-financial statement could be part of the annual report or could be separated. It concerns public interest entities with more than 500 employees. Companies will apply it for the first time in 2018. A public consultation on public reporting by companies has ended in July 2018. The summary of the replies will be published very soon and a Staff Working Document (Fitness Check) will be adopted by the Commission in June 2019. No decision to amend or not NFRD is expected under current Commission but we will use our analysis to decide on what we propose to next Commission. In the Sustainable Finance Action Plan, there is a commitment to update the Non-Binding Guidelines, aligning them with the Task Force on Climate-related Financial Disclosures (TCFD), and make a reference to taxonomy only with regard to climate. For that purpose, a Technical Expert Group on Sustainable Finance (TEG) has been created. The TEG report should be published end of 2018, and the Commission will then adopt an updated version of the Guidelines in June 2019.

- **MMs. Gondy and Andersone** from DG TRADE/D1, European Commission, gave an overview of the Commission’s approach and initiatives on trade aspects of responsible supply chains and the external dimension of CSR, lying within the scope of the EU Trade for All Strategy which expanded measures to support sustainable development, fair and ethical trade and human rights, including in relation to responsible management of supply chains. They recalled the main CSR/RBC (Responsible Business Conduct) instruments in trade policy: negotiations and implementation of CSR/RBC provisions in EU trade and investment agreements, active cooperation with international organizations (OECD and ILO), country specific initiatives like the Bangladesh Sustainability Compact, and the Pilot Partnerships in Asia and Latin America. They also elaborated on the rationale for the Trade and Sustainable chapter under the EU-Japan Economic Partnership Agreement and the commitments therein on labour and the environment, as well as crosscutting topics such as eco-labelling and fair and ethical trade.

- **Mr. Spiechowicz** from DG GROW/C2, European Commission, presented EU policy on responsible and sustainable governance, sourcing and extraction of raw materials. The transition to low carbon economy will translate into an increasing
demand for raw materials. EU industrial value chains, such as automotive, defence, ICT, electrical and engineering, machinery and space, depend on raw materials from third countries resource-rich countries. EU key sustainability actions in relation to raw materials concern capacity building, trade, transparency and public acceptance, industrial policy, the environment and financial transparency. The EU Conflict Minerals Regulation was adopted in May 2017 and will enter into force on 1 January 2021. By 2019, a comprehensive SME due diligence support system facilitating the uptake of the OECD Due Diligence Guidance will be published.

- **Ms Yamada** from IDE-JETRO presented the Policy Proposal Research Project "Business and Human Rights in emerging markets", sharing some results of its survey on 800 overseas Japanese companies’ CSR policies and practice of responsible supply chain. The purpose is to research how Japanese business should integrate human rights respect in their core operations and how Japanese government can support them in its policies and measures, as well as to organise seminars and workshops to promote UNGPs and create a multi-stakeholders platform to discuss the issue. Proposals of IDE-JETRO for EU-Japan collaboration ahead include sharing good practices of EU and Japanese companies, organising joint workshops and seminars in and outside EU and Japan, especially in developing countries, adopting policy measures especially for SMEs and researching on impacts of policy measures.

- **Mr Tomita** of the CSR Forum presented the new developments on CSR in Japan, including on Business and Human Rights. The current main drivers of CSR in Japan are the Government Pension Investment Fund which has signed the UN Principles for Responsible Investment in 2015, the Tokyo 2020 Olympic and Paralympic Games Sustainable Sourcing Code, the SDGs incorporated in the Keidanren Charter and the National Action Plan on Business and Human Rights. More companies have adopted human rights policy and due diligence is gradually implemented in this area. A grievance mechanism is also being introduced by some leading companies and sustainable procurement is now well recognised by Tokyo 2020 code.

- **Discussion:** Under the item related to possible EU/Japan common actions aiming at supporting SMEs adopting the UNGPs in their business model, views have been exchanged on how to continue collaboration in these areas, considering where
government intervention could be of best added value among national and multinational actions. The possibility to organize awareness raising activities in third countries / in Asia has been identified, but it was noted that the supporting budget should be found.

- Business representatives (Ms. Kinoshita from JBCE) have jointly expressed their opinion on the follow-up process related to this session. Their priorities summarize as follows:
  - Promote Responsible Business Conduct and work together
  - Emphasize strong leadership
  - Favor a stronger multi-stakeholders approach
  - Put the accent on SDG-driven sustainability and growth
  - Propose a collaborative action on a tangible project on Responsible Business Conduct as the next step
  - Set up a platform to promote future collaboration.

- **Mr. Noterdaeme** from CSR Europe proposed an action oriented approach. Project management is an option to be discussed by associations defining which practical project could be set up, with whom and how. The EU and the METI should have a role in setting up a collaborative platform.

- **Ms. Schreiber** from DG GROW/H, European Commission, took stock of recommendations and agreed to discuss further joint activities before the next meeting. Trade is a good topic for the next meeting as well as the idea of setting up a joint seminar. We should also work on a sectoral approach, identifying where both parties have a common interest in addressing together common challenges in specific sectors, like electronics and raw materials for example. This could lead to setting up common projects. Both parties showed an interest in promoting actions that would fit into each government’s tight use of financial and human resources.

- **Ms. Matsumoto** from the METI gave her views about low-hanging fruits: a collaborative seminar in third countries, skype discussions, leader on each side to be identified for a common project, trade issues, notably under the Japan/EU EPA, could receive lots of support on the Japanese side.
IV. Summary of agreements

1. Some concrete possible next steps have been identified, like jointly organizing awareness raising seminars on CSR for supply chains actors in third countries; setting up a collaborative action on specific sectoral projects on Responsible Business Conduct (RBC); developing a stronger multi stakeholders approach in setting up a platform to promote future collaboration.

2. A low-hanging fruit seems indeed the possibility to work together on the preparation of a collaborative seminar in third countries, and identify a leader on each side to design a common project on RBC.

3. CSR aspects of Trade could be a good topic for the 2019 WG session. We could also work on a sectoral approach in addressing together common challenges in some sectors such as electronics and raw materials, that could pave the way to additional common actions.