

Summary of the Japan - EU Industrial Policy Dialogue
6th Working Group on Corporate Social Responsibility

I. Date and venue

Date: November 18, 2019; from 12:00 to 16:50

Venue: METI International Conference Room

II. Attendees

<Government to Government Session>

DG Internal Market, Industry, Entrepreneurship and SMEs (DG GROW):

- Ms. Kristin Schreiber, Director, DG GROW
- Mr. Giacomo Mattino', Head of Unit, Enterprise Europe Network and Internationalisation of SMEs Unit, DG GROW
- Mr. Jean-Marie Avezou, Senior policy officer - SME Internationalization, Enterprise Europe Network and Internationalisation of SMEs Unit, DG GROW

Delegation of the European Union to Japan:

- Mr. Gabriele Lo Monaco, First Secretary, Delegation of the European Union to Japan
- Ms. Sayuri Fujita, Senior Research Officer, Trade Section, Delegation of the European Union to Japan

Ministry of Economy, Trade and Industry (METI):

- Mr. Hirohiko Nakahara, Deputy Director-General for Economic and Social Policy, Economic and Industrial Policy Bureau, METI
- Ms. Kayo Matsumoto, Director, Corporate Accounting, Disclosure and CSR Policy Office, Economic and Industrial Policy Bureau, METI
- Ms. Yuko Ishikawa, Chief, Corporate Accounting, Disclosure and CSR Policy Office, Economic and Industrial Policy Bureau, METI
- Mr. Osamu Saito, Deputy Director, Environmental Economy Office, Industrial Science and Technology Policy and Environment Bureau, METI
- Mr. Shohei Oyama, Chief, Environmental Economy Office, Industrial Science and Technology Policy and Environment Bureau, METI

Ministry of Foreign Affairs (MOFA):

- Mr. Shinji Minami, Director, Human Rights and Humanitarian Affairs Division, Foreign Policy Bureau, MOFA

<4th EU-Japan CSR Business Dialogue>

Presenters

- Mr. Toyokazu Nagamune, Secretary General, Japan Business Council in Europe (JBCE)
- Ms. Yukako Kinoshita, Chair of CSR Committee, Japan Business Council in Europe (JBCE)
- Mr. Hidemi Tomita, Director, Lloyd's Register Japan
Committee person, CSR Forum of Japan, Business Policy Forum, Japan
- Mr. Youzou Nakao, Talent Development Group, Human Resources Dept., AJINOMOTO CO., INC.
- Mr. Sakon Kuramoto, lawyer, Orrick Tokyo Law Offices

Participants

Members of JBCE and Business Platform, Japan

Observers

METI, DG GROW, Delegation of the European Union to Japan

III. Outline of the meeting

Under the co-chairmanship of Director Matsumoto, METI, and Director Schreiber, DG GROW, the Government-to-Government session brought together the officials from METI, MOFA and the EU. Both sides exchanged information on recent developments on CSR-related policies of the governments of Japan and the European Commission.

- Mr. Nakahara from METI delivered opening remarks at the start of the session. In his remarks, Mr. Nakahara confirmed that Japan and the EU had deepened their understanding of each other's policy goals and desirable corporate practices through five meetings the Working Group had in the past. Mr. Nakahara then referred to the spreading understanding among stakeholders that business administration and investment with consideration given to sustainability reduce medium- and long-term risks and produce new opportunities. He expected companies and investors to increase their common understanding about desirable ways for disclosing information, mentioning that more companies are putting to practical use the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, a guideline METI had formulated two years ago. Mr. Nakahara also stressed this Working Group could contribute to the Japan-EU Economic Partnership Agreement (Japan-EU EPA).

- Ms. Schreiber from DG GROW made introductory remarks. She stated the EU hopes to keep sharing experiences about corporate social responsibility (CSR) / responsible business conduct (RBC) with Japan with the active use of the Japan-EU EPA and by other means, emphasizing that this policy dialogue was playing a vital role in strengthening cooperation between the EU and Japan that share policy goals. In addition, Ms. Schreiber recognized that sustainability had been incorporated into all policy themes for the European Commission (EC) and that the roles of business are important. She introduced the EU policies for themes, including decent work, forest conservation, business and human rights, and responsible supply chains, and stated her wish to exchange opinions with other session participants on that day. Lastly, Ms. Schreiber stated her hope to examine ways to expand the scope of this dialogue in the future, observing that the Working Group had focused on CSR and RBC up to that point in the context of the growing importance of sustainability in economies, society and the environment.
- Ms. Matsumoto from METI and Mr. Mattino' from DG GROW reviewed the 5th Working Group meeting. They confirmed the results of the Japan-EU-OECD Seminar on Supporting International Collaboration on RBC/CSR held in June 2019 with the cooperation of OECD and other concerned parties, and welcomed the achievement of items agreed at the 5th CSR Working Group meeting.
- Ms. Matsumoto from METI gave a presentation on her Ministry's CSR-related policies. Mentioning that the Japanese corporate governance code and stewardship code stress sustainability in generating medium- to long-term corporate values, she stated there had been active private-sector initiatives for promoting company-investor dialogues and disclosure in Japan. Furthermore, Ms. Matsumoto introduced the application of the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation to various policies including those on the environment and diversity, and voices among companies that the Guidance was contributing to improving the quality of information disclosure. In the last place, she explained a model certification program for SDGs formulated by the Kanto Bureau of Economy, Trade and Industry of METI.
- Mr. Minami from MOFA reported on the progress of efforts to formulate an action plan on business and human rights in Japan. Stating his Ministry's commitment to formulating the action plan in 2016 as a condition in the background, he explained MOFA conducted a baseline study in 2018, set up a liaison council for relevant ministries and agencies, a working group and an advisory committee for the action plan on business and human rights this year, and specified priority fields and items

for inclusion in the action plan in the same year. Mr. Minami remarked that MOFA was working on formulating the action plan with the aim of announcing it in the middle of 2020.

- Mr. Saito from METI made a presentation on policies toward a virtuous cycle of environment and growth. He explained the state of information disclosure based on the TCFD (Task Force on Climate-related Financial Disclosures) proposal which METI was advancing as a measure for diverting global investments to innovations (green financing), referring to the indispensability of those innovations for achieving targets set in the Paris Agreement. Furthermore, as a summary of the TCFD Summit held in October 2019, Mr. Saito introduced opinions expressed there, including that divestment has its limitations, constructive engagement is a more powerful tool, and it will be important to showcase the suite of low carbon technologies that have the potential to contribute to transition in the region, with the understanding that these solutions may represent “50 shades of green.”
- Mr. Mattino’ from DG GROW explained priority issues for the new European Commission (EC) scheduled for inauguration on December 1, 2019. He stated issues, such as sustainability in trade policies, the European Green Deal and the practice of SDGs, would be important agenda items for the next EC. Touching on policies on SMEs in particular, Mr. Mattino’ remarked that the EU was thinking about positioning sustainability advisors in the existing Enterprise Europe Network (a network of SME-support organizations present in all EU countries at local level) to offer information and guidance to companies. Furthermore, he introduced the release in March 2019 of the Commission Staff Working Document on CSR/RBC and Business & Human Rights: Overview of Progress as stocktaking for CSR policies in the past. Mr. Mattino’ stressed results achieved, including specific sectors such as conflict minerals. Lastly, he explained that DG FISMA had updated its guidelines for disclosure obligations for non-financial information in May 2019 to integrate items related to climate change and that that same EC department was considering to revise obligations in order to add sustainability to the agenda of items discussed at the meetings of corporate board directors.
- Mr. Mattino’ from DG GROW raised a question about a legally binding document on business and human rights which was being prepared at UN level by the Open-ended Intergovernmental Working Group on transactional corporations and other business enterprises with request to human rights. Participants from the EU and Japan discussed the question considering that the EU was not satisfied with the draft document and recent progress, citing the difficulty to accept the content of the

draft under discussion by the intergovernmental working group and the process for its formulation and the lack of feasibility. He added the Union did not object to the possibility of producing a legal document in principle. Mr. Minami from MOFA stated Japan had the same view with the EU regarding the draft under preparation. He pointed out a legally binding document should have content that contributes to both human rights protection and corporate economic activities and whether or not the document is consistent with existing trade agreements and the like must be examined, granting that such document is formulated.

- Mr. Mattino' from DG GROW introduced policies on decent work. He stated the EU had set up a labor chapter within the EPA, helped developing countries introduce the Generalized System of Preferences (GSP) and provided financial support to them. Mr. Mattino' also introduced cases in which the EU was working on responsible supply chains in cooperation with ILO and OECD.
- Mr. Lo Monaco introduced the European External Action Service (EEAS) project. He stated the EU was sponsoring technical workshops, translating the OECD Due Diligence Guidance for Responsible Business Conduct and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration), and offering trainers chances to improve their skills through the project. Mr. Lo Monaco also explained the project's progress in Japan. In the last place, he introduced the EU's policies for forest conservation.

Following the policy overview in the Government to Government session, the Japan Business Council in Europe (JBCE) and the Business Policy Forum, Japan held the 4th EU-Japan CSR Business Dialogue.

- Mr. Kinoshita from JBCE reported on matters the EU-Japan CSR Business Dialogue had addressed until that point and expectations for the Dialogue expressed by various business organizations in Europe (amfori, CSR Europe and BusinessEurope).
- Mr. Nagamune from JBCE pointed out the need for greater communication between businesses in Japan and the EU and the need to increase the frequency of such communication through the practical use of means, including telephone conferences. Elaborating on those points, he stated the JBCE would like to take initiatives in making a bridge of the communication between Japan and EU business sectors in order to narrow their differences or gaps through knowing each other and understanding priorities on each side.

- Participants proposed preparing a medium-term plan to further cooperation between companies in Japan and the EU. They also asked how companies in EU were collaborating with NGOs and proposed inviting asset managers to the CSR Business Dialogue.
- Mr. Tomita from Lloyd's Register Japan gave a summary of findings through a study on "How Business and Human Rights Should Be for The New Era" which the CSR Forum, Japan of the Business Policy Forum, Japan (of which he had taken part in as a core member) put together in the last fiscal year.
- Mr. Nakao from AJINOMOTO made a presentation on initiatives on business and human rights taken by his company. He explained the state of business and human rights management at AJINOMOTO, and introduced his company's initiatives including the Ajinomoto Group Human Rights Due Diligence Impact Assessment Report 2019 Thailand, which AJINOMOTO put together with the Global Alliance for Sustainable Supply Chain (ASSC), a third-party organization, in February 2019. Mr. Nakao also introduced his company's School Meal Project in Vietnam as an initiative for addressing overnutrition, which had become a human rights issue in the food industry in recent years.
- Mr. Kuramoto from Orrick Tokyo Law Offices gave a presentation on "Engagement" and "Remedy" Guidelines for Promotion of Responsible Business Conduct and Responsible Supply Chains. He explained the committee comprising multiple stakeholders, including individuals engaged in business, investment, civil society, law, international organizations, and public organizations, had prepared the Guidelines, which covered mainly Japanese companies, and they aimed to promote constructive dialogues between business and society, strengthen a complaint processing and problem solving system (grievance mechanisms), and ensure access to remedies. In addition, Mr. Kuramoto reported on certification systems and a plan for grievance centers.

IV. Outcomes and Next Steps

- Through a series of discussions, Japan and the EU reconfirmed that the agenda "CSR" is deeply related not only to industrial policies but also to trade and environmental policies and that they should enrich mutual understanding of other measures involving sustainability.
- They confirmed Japan and the EU should deepen their understanding of each other regarding not only policies on business and human rights but also other sustainability-related policies. For example, they recognized sustainable finance as

an essential theme for both sides and agreed to discuss the theme more in depth on the next occasion with departments in charge in attendance.