



EU-Japan Centre for Industrial Cooperation

**Seminar Report**

**Japan-Europe Symposium on Business Reporting for Sustainability**

*Mechanisms to communicate information, including ESG/CSR, for  
sustainable growth*

26 May 2010

Brussels – Belgium

# Executive summary

On 26 May 2010, the EU-Japan Centre for Industrial Cooperation and the World Intellectual Capital Initiative (WICI), with the support of the Japanese Ministry of Economy, Trade and Industry and the European Commission (DG Enterprise & Industry), as well as of JETRO Brussels, the Business Council in Europe (JBCE) and JMC Brussels, organised a full-day seminar on "Business Reporting for Sustainability", with the participation of Ambassador Naoto NIKAI (Japanese Mission to the EU) and Viscount Etienne DAVIGNON (President, CSR Europe), and speakers from HORIBA, Ltd., Novo Nordisk A/S, Accounting for Sustainability and the European Federation of Financial Analysts Societies (EFFAS), the European Parliament, e-Parcel Corp., Sakigake Semiconductor CO.,LTD., Wissenskapital GmbH and Doshisha University.

In the context of the global financial crisis people have realised the importance of sustainable capabilities of companies, which cannot easily be recognised through financial reporting, hence the need to establish a new mechanism of business reporting which enables the evaluation of the exact value of a company, covering not only financial but also non-financial information, including ESG/CSR, in which society has a great interest. Based on experiences of European and Japanese companies, regardless of their size, to communicate with stakeholders, the seminar debated the need for a framework for business reporting for sustainability, focusing on non-financial information relating to a company's business strategy, its own value creation mechanism and its economic performance, rather than asking companies for as much information as possible from a purely social point of view.

There was a main stream of thinking that disclosure and Business Reporting for Sustainability should become general practices to help all stakeholders take informed and responsible decisions: all companies should be required to report publicly on their ESG performance, or if they don't, explain why.

There was also a generally-shared view that non-financial reporting and financial reporting need to converge into an integrated reporting system using quantitative indicators and allowing an embedded decision-making process. In particular, that process would benefit to SMEs who do not have access to stocks and therefore need other sources of financing (bank loans or public subventions).

There was less consensus about the regulatory aspect of the reporting practice, its geographic standards (national? European? International?) and whom should take the lead

(governmental initiative or corporate ownership?) Since both Europe and Japan have many common elements, including the interests of governments on this issue, ESG/CSR awareness, and a shared sense of balance between social and economic values, it is expected that both regions can find more opportunities to cooperate with each other to establish a global mechanism that would promote the benefits of integrated reporting, implement all related issues and avoid overlapping initiatives.

The audience gathered about 45 participants from EU and Japanese Authorities as well as from major EU and Japanese companies.

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# 1 – Seminar outline

- **Title:** Japan-Europe Symposium on Business Reporting for Sustainability - *Mechanisms to communicate information, including ESG/CSR, for sustainable growth*
- **Date/Time:** Wednesday, 26 May 2010, 10:00-17:00
- **Place:** Club of the University Foundation  
Rue d’Egmontstraat 11, 1000 Brussels
- **Organised by:** EU-Japan Centre for Industrial Cooperation  
World Intellectual Capital Initiative (WICI)
- **Supported by:** European Commission, DG Enterprise & Industry  
Japanese Ministry of Economy, Trade and Industry (METI),  
JETRO Brussels, JBCE, JMC Brussels
- **Agenda:**

<b>10:00-10:20</b>	<p><b>Welcome Greetings</b></p> <p>Ayako KAWAMURA, Director , EU-Japan Centre Etienne DAVIGNON, President, CSR Europe Ambassador Naoto NIKAI, Japanese Mission to the EU</p>
<b>10:20-12:00</b>	<p><b>Session 1: Major listed companies</b></p> <p>- Moderator: Alison THOMAS, Director, Corporate Reporting PricewaterhouseCoopers LLP</p> <ul style="list-style-type: none"> <li>✓ Strength and Strategy</li> <li>✓ Understanding of a company's own value creation process</li> <li>✓ The way for a company to communicate to society its own strength and sustainability and contribution to society</li> <li>✓ Necessary framework for communication</li> <li>✓ Function of KPIs and introduction of XBRL <ul style="list-style-type: none"> <li>▪ Atsushi HORIBA, Chairman, CEO &amp; President, HORIBA, Ltd.</li> <li>▪ Susanne STORMER, Vice President, Global TBL Management Global Stakeholder Engagement, Novo Nordisk A/S</li> <li>▪ Paul DRUCKMAN, Chairman, Accounting for Sustainability</li> <li>▪ Alexander G. WELZL, Chairman CIC, EFFAS- European Federation of Financial Analysts Societies</li> <li>▪ Ralf FRANK, Secretary General Commission on ESG, EFFAS- European Federation of Financial Analysts Societies</li> </ul> </li> </ul>
<b>12:00-12:30</b>	<p><b>Keynote Speech</b></p> <p>Richard HOWITT, European Parliament Rapporteur on the European Commission Communication on Corporate Social Responsibility</p>

13:30-15:00	<p><b>Session 2: SMEs</b></p> <p>- Moderator: Nobuyuki HIRATSUKA, Director for Corporate System, Corporate Affairs Division, Economic and Industrial Policy Bureau, Japanese Ministry of Economy, Trade and Industry (METI)</p> <ul style="list-style-type: none"> <li>✓ Experience of business reporting</li> <li>✓ Merits of communication</li> <li>✓ Necessary framework with minimum burden</li> <li>✓ Implications of KPIs</li> <li>✓ Expected support from governments <ul style="list-style-type: none"> <li>▪ Joji KITANO, President, E-Parcel Corporation.</li> <li>▪ Koshi TAGUCHI, President, Sakigake Semiconductor CO.,LTD.</li> <li>▪ Mart KIVIKAS, Partner, Wissenskapital GmbH</li> <li>▪ Chitoshi KOGA, Professor, Doshisha University</li> </ul> </li> </ul>
15:00-15:30	<p><b>Coffee Break</b></p>
15:30-16:55	<p><b>Panel Discussion</b> (policy agenda)</p> <p>- Moderator: Takayuki SUMITA, Chairperson, World Intellectual Capital Initiative (WICI)</p> <p>How to establish mechanisms for communication between companies and stakeholders regarding the activities and capabilities of companies contributing to sustainable growth and to society</p> <ul style="list-style-type: none"> <li>▪ Prof. Yasuhito HANADO, Professor, Waseda University</li> <li>▪ Nobuyuki HIRATSUKA, Director for Corporate System, Corporate Affairs Division, Economic and Industrial Policy Bureau, Japanese Ministry of Economy, Trade and Industry (METI)</li> <li>▪ Yukako KINOSHITA, Chairman, CSR Committee, Japan Business Council in Europe (JBCE)</li> <li>▪ John SWANNICK, Executive Director, European Academy for Business in Society (EABIS), Co-chair, European Laboratory on Valuing Non-financial performance</li> <li>▪ Stefano ZAMBON, Chairman, WICI Europe</li> <li>▪ Pedro ORTUN, Director, European Commission, DG Enterprise &amp; Industry</li> </ul>
16:55-17:00	<p><b>Closing Remarks</b></p> <p>Hidehiro MURAMATSU, Director, Europe Division, Japanese Ministry of Economy, Trade and Industry (METI)</p>

## 2 – Summary of presentations & discussions

Full speakers' presentations are accessible on our website. Main speakers' opinions are expressed in the following abstracts:

### **Mr E. DAVIGNON, President, CSR Europe**

15 years ago CSR reporting was merely a communication tool dealt with by PR staff. Today, it has become major management issue dealt with at CEO level.

Topics covered by CSR reporting are as vast as complex. However, since no competition is involved, companies show much willingness to exchange best practices, as do the EU and Japan.

### **Ambassador N. NIKAI, Japanese Mission to the EU**

With the financial crisis an increasing request for ESG disclosure are now pushing the business reporting project to evolve.

Since there is no common standard for business reporting yet, cooperation between EU and Japan would indeed be most welcome.

### **Mr A. HORIBA, Chairman, CEO & President, HORIBA, Ltd.**

Nowadays, the traditional reporting is indeed not sufficient to understand what is behind financial assets. This is typically the case for intangibles in management, in which Horiba invest substantially (staff education and training, facilities etc).

Horiba is more in the practical action than in the brainstorming about business reporting because they not yet convinced that non-financial reporting will gather many readers. Understanding our corporate motto "Joy and Fun" is very important for stakeholders to evaluate future potentiality of our business. It is essential for stakeholders to understand the Horiba's corporate philosophy and management policy when they evaluate our business growth and stability for mid and long term.

### **Mr R. FRANK, Secretary General, EFFAS commission on ESG**

Business reporting should be quantitative, built on key performance indicators that reflect expectations of mainstream investors and allow comparative analysis.

The main question today is: "what kind of regulation do we want?"

**Mr A. WELZL, Chairman, EFFAS commission on Intellectual Capital (CIC)**

A main objective of the CIC-commission is to develop market driven and sector specific intellectual capital metrics and standards for internal and external corporate reporting, with a first focus on the telecom industry. Accounting and reporting practices have to be changed to include IC-metrics for valuation of long-term value creation. Therefore EFFAS CIC engages in training and education for financial professionals and academics. We also promote implementation of our principles and standards in the capital markets e.g. recently at Warsaw Stock Exchange. Understanding intangible driven value creation is also at the core of rethinking economics (macroeconomy) of nations. EFFAS is a WICI founding member.

**Ms S. STORMER, Vice President, Global TBL Management Global Stakeholder Engagement, Novo Nordisk A/S**

Their “triple bottom line principle” promotes social, financial and environmental responsibilities.

An integrated reporting (financial and non-financial) is absolutely necessary.

Let’s think about the following question: “what is the value of what we create/sell/etc if those outputs do not exceed the value of the inputs (in terms of environment, welfare etc)?

So far, there has been more reflection about “what to report” versus “what are the benefits of such reporting”?

**Mr P. DRUCKMAN, Executive Board, Accounting for Sustainability (A4S)**

At the present time sustainability is not adequately integrated into the business strategy. There is a focus on short-termism; fund managers incentives are not alligned to sound sustainable investment decision making; and more generally the embedding of sustainability into business decession making is not evident from reporting.

There are often objections in terms of available and reliable data. In order to make sure we can internalise externalities the data must be consistent, monetised, complete, and validated. It is possible to do hat with a combination of accurate and extimate data and companies should be looking at this route.

In the reporting space the Accounting for Sustaiability (A4S) project has created a conected reporting framework which has been used by a number of major global companies in part. Moving forward A4S has joined forces with a number of key organisations, including GRI and IASB, in an attempt to establish the Interenational Integrated Reporting Committee. The collaborative team are looking at gaining authority from the G20 in Paris in 2011.

**Mr. T. SUMITA, Chairperson, World Intellectual Capital Initiative (WICI)**

CSR reporting in Japan is not regulatory as such but compliance is very high (more than 1000 companies because of social pressure).

The capture of non-financial elements for business reporting is also a major opportunity for increasing performance in many companies, leading to the win-win situation especially for SMEs which is easily defeated in a serious competition under the money oriented capitalism.

**Mr R. HOWITT, European Parliament, Rapporteur on the European Commission Communication on Corporate Social Responsibility**

As CSR rapporteur he suggested a Japan-EU dialogue on CSR towards a common global framework.

Indeed both regions are facing several common challenges, and should now move forward in shifting from a concept of philanthropy to one of accountability and governance, at a time when ESG disclosure is more and more required.

There is a clear commitment of the EC to propose to bring forward a Communication focusing on ESG disclosure, as well as a clear political commitment (cf G8 meeting in Tokyo) toward international instruments and standards for CSR. The International Integrated Reporting Committee concept of A4S and others is something he believes is very important and is supportive of the work.

**Mr J. KITANO, President, e-Parcel Corp.**

SME venture companies are underestimated when evaluated only in terms of financial assets.

SMEs like e-parcel expect non-financial assets and a type of business reporting including them to become powerful tools not only in sales (for customers) but also in financial terms (for investors).

**Mr K. TAGUCHI, President, Sakigake-Semiconductor Co., Ltd.**

For Sakigake (Kansai Front Runner Award Winner 2010) business reporting can help educate new employees about the company's history, philosophy and values, and give all stakeholders a clear vision of the company's future and its technical and personnel merits.

The Kyoto prefecture is actively promoting business reporting for SMEs, and have initiated an approval system for SMEs business reports.

**Mr M. KIVIKAS, Partner, Wissenskapital GmbH**

The whole point resides in promoting a company's 'stakeholder value' instead of the usually put forward 'stakeholder value': investments in intangibles and impacts on business success factors as well as on customers and markets give a company its real value.



The ECI (Earnings Capability Index) constitutes a concrete forecast on a business's success and profitability.

**Mr C. KOGA, Doshisha University**

His presentation covered successively the following points:

- Competitive superiority of Japanese high-growth SMEs: functional, cultural, positional and legal sources of superiority
- Non-financial information used by financial institutions in the loan process
- 2008 OECD project regarding intellectual assets management and Japanese high-growth SMEs.
- Key Performance Indicators's purposes and contents are different for listed companies and unlisted companies.
- Main challenges for non-financial reporting include minimizing the cost of its preparation, improving reliability and quality of the information, training management, banks and other stakeholders, and international cooperation.

**Mr N. HIRATSUKA, Japanese Ministry of Economy, Trade and Industry (METI)**

SMEs are better willing to comply with business reporting because they don't enjoy access to stock markets and depend essentially on bank loans and subsidies.

The Japanese government has started supporting an education scheme on integrated accounting for bankers.

Clearly a EU-Japan cooperation on this subject would be most welcome. It would most probably be looking at a private initiative and a sectoral approach.

**Mr P. ORTUN, Director, European Commission, DG Enterprise & Industry**

How can we promote disclosure? Companies generally consider that the increase in administrative burden and requirements are not compensated by any additional recognition or reward system. However many companies appear not to be happy either with the current situation. Only a couple of Member States have established a clear policy about this issue.

Another difficulty is to find a proper balance between

- national, EU and international initiatives
- benefits for investors, customers and employers
- regulatory and non-regulatory approaches

Finally sectors have diverging characteristics.

There is obvious convergence in the proposals presented so far on a certain number of issues: need for transparency, need for non-financial indicators, need for risk information, need for education of all stakeholders in particular.

**Ms Y. KINOSHITA, Chairman, CSR Committee, Japan Business Council in Europe**

JBCE's expectations from the EC policy mainly include:

- the system should be flexible and non prescriptive which enables companies of different size, sector and organisational structure to report on sustainable business strategy and relevant information;
- a global approach is needed in order to reduce inconsistencies in the various requirements from regions, governments etc. The EU and Japan could work closely together on this issue.

JBCE welcomes the progress made by DG Enterprise on ESG information disclosure.

**Mr J. SWANNICK, Executive Director, EABIS and Co-chair, European Laboratory on Valuing Non-financial performance**

The debate was once about mandatory or statutory reporting. Now it is more about disclosure (cf. transparency and accountability) and materiality (cf performance and impact). From the perspective of key stakeholders – customers, employees and shareholders – we are seeing convergence in the drivers for disclosure and materiality.

**Mr S. ZAMBON, Chairman, WICI Europe**

The absence of non-financial information can lead to dangerous situations and behaviors such as 'short-termism' and market volatility.

Main conclusions include that there are undeniable benefits in integrated reporting, that implementation issues should not be overlooked and that stakeholders and regions should avoid the overlapping of initiatives.

**Mr Y. HANADO, Graduate School of Commerce, Waseda University**

At first explained our perception on business landscape in this 21st century and our efforts to introduce and implement Intellectual Assets Based Management in each business segment of early stage venture business, matured manufacturing industry and new business field such as ICT industry. And secondly he pointed out that the internet society through interactive data communication based on XML and/or XBRL technology, it will promote dramatic shift from present business disclosure society to future knowledge sharing society.

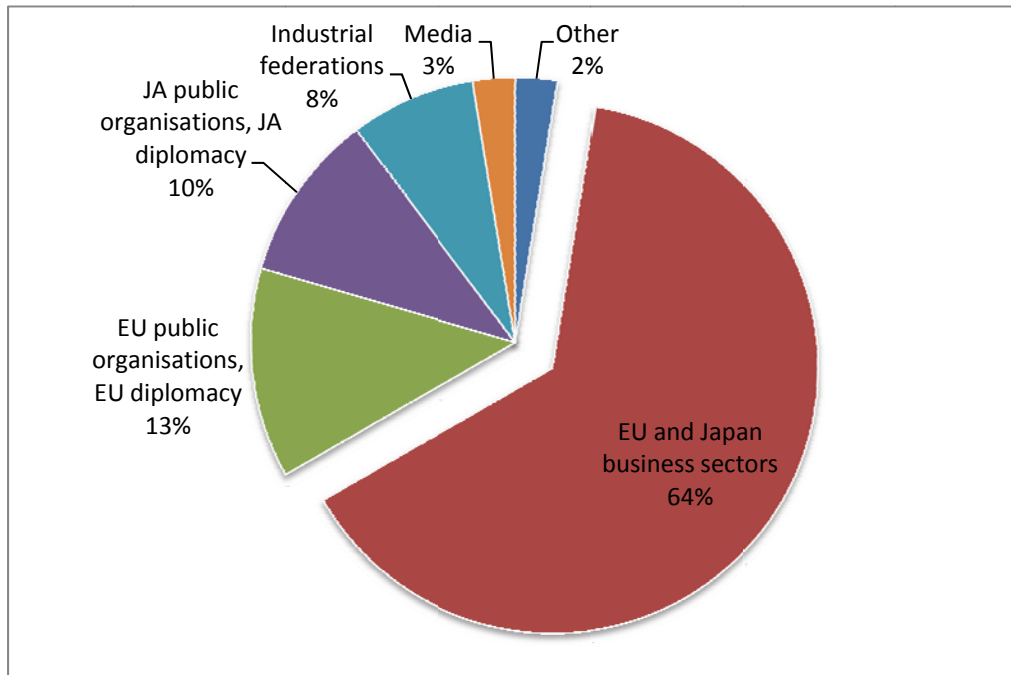
### 3 – Photographs



Photographs: from left to right and from top to bottom: Mr E. DAVIGNON and Ms A. KAWAMURA, Panelists of Session 1, Panelists of Session 2, Panelists of Panel Discussion, Mr S ZAMBON, Mr P ORTUN, Mr H MURAMATSU

## 4 – Profile of participants (total: 39)

**Type of companies/organisations**



## 5 – Evaluation (number of replies: 11)

### Overall Opinion of the seminar by participants

<b>Excellent</b>	9%
<b>Good</b>	91%

### Average evaluation of the seminar by participants on the scale of 1 to 5

(1 = Poor/ Low; 5 = Excellent/ High)

