

February 24, 2017

On the Forthcoming Guidelines on Non-financial Information Reporting

The Japan Business Council in Europe (JBCE), represented by global companies operating in Europe, warmly welcomes the invitation to provide comments on the forthcoming Guidelines on Non-financial Information Reporting. We support the initiatives taken by the European Commission to involve stakeholders and facilitate dialogue to improve the transparency of companies, and in line with the position underlined in the response to the public consultation and our comment sent out on October 7, 2016, JBCE reiterates the following three points;

1. Principle-based approach

JBCE believes that Non-financial statements should highlight a company's judgment over the materiality of any disclosure items. Therefore, a principles-based approach is the only viable approach allowing flexibility to explain their unique business in a dynamic and changing environment. Internal experience shows that materiality is company-specific beyond sector-specific, and how to address these material issues depends on the choice of a particular audience. Taken all together, the target audience, relevant stakeholders, as well as, choice of a reporting framework should be left to companies to decide.

2. KPIs

We believe imposing on companies a generic set of quantitative key performance indicators (KPIs) would not result in material information disclosure. We would like to remind that the Commission fiche states that;

- "Companies are expected to disclose those KPIs which they consider most useful to monitor and assess progress."(page 15)

3. Reporting framework

We think it is not a good idea, as rightly pointed out by DG FISMA at the second Stakeholder Workshop on 16 February 2017, to endorse particular reporting schemes for the same materiality reason. Again, we would emphasize the Commission's fiche that states;

- "Issues to be considered for inclusions in the non-financial statement are company specific, taking into account concrete circumstances and sectoral considerations and company specificities." (page 3)

- that “a company must exercise judgement at assessing which information is material...”.(page 3)

The directive refers to environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters as thematic areas. We think the subject of conflict minerals can be either treated as a part of human rights topic or given as examples of Key Performance Indicators.

Recommendation

To enhance clarity, JBCE proposes that the guideline should clearly state;

- the objective of the guideline at the beginning of the guideline,
- reporting entity as decision-maker on relevant stakeholders and materiality (principle 5)
- the Commission does not endorse any reporting frameworks (principle 7)
- the requirements by the law and non-binding expectation/recommendation by the guideline, and

Last but not least we request the Commission to make an easy reading document by using more bullet points, making key words in bold, using boxes in a consistent manner.

CONCLUDING REMARK

Reporting is a journey and an on-going process. Therefore companies need an encouragement rather than burdensome obligations. We remain fully committed to improving non-financial information disclosure within the EU and globally. We hope that the European Commission will take our views into account during the preparation of the upcoming Guidelines. We welcome the opportunity to continue discussing our concerns and recommendations in an open, collaborative and inclusive stakeholder environment.

Japan Business Council in Europe

Created in 1999, the Japan Business Council in Europe (JBCE) is a leading European organisation representing the interests of almost 80 multinational companies of Japanese parentage active in Europe. Our members operate across a wide range of sectors, including information and communication technology, electronics, chemicals, automotive, machinery, wholesale trade, precision instruments, pharmaceutical, railway, textiles and glass products. Together, our member companies represented in 2013 global sales of 1.4 trillion euros. Building a new era of cooperation between the European Union (EU) and Japan is the core of our activities.