

**JBCE's contribution to the Ad Personam Mandate on
NON-FINANCIAL REPORTING STANDARD SETTING**

The Japan Business Council in Europe (JBCE) welcomes the opportunity to provide our suggestions to the ad personam mandate of EFRAG board president Jean Paul Gauzes on Non-Financial Reporting Standard. In this regard, JBCE is eager to contribute to several questionnaires (1.1, 1.4 and 2.1) from the perspective of the stakeholder operating in Europe with Japanese heritage.

JBCE suggestions are as below:

1.1 – Standards need to be developed in the public interest and no individual category of stakeholder may exercise undue influence: How can it be best ensured that standards are developed based on an inclusive and transparent due process? What should be the characteristics of such a due process?

JBCE input

In order to achieve a transparent and inclusive due process, we suggest EFRAG:

- **publishes the minutes** of all their different meetings;
- organises an **extensive public consultation** addressing the different issues relating to developing EU standards;
- organises a **series of separate stakeholder meetings**, inviting representatives of specific categories of stakeholders. We recommend the first category be large reporting companies (Listed, large, global companies), secondly smaller reporting companies (SMEs and only operating in the internal market), thirdly users such as investors and asset managers, and lastly civil society organisations and trade unions. Thanks to these separate stakeholder meetings, participants will be able to contribute openly and constructively without confronting their different context. This will also enable EFRAG to grasp the issues and specificities of each category of stakeholders.

1.4. – Should private sector and civil society representatives be involved in the standard setting work? If so, what would be suitable options for doing so in a balanced way? Which stakeholders¹ should be involved? Should the standard setting pillar be a public-private partnership like in the financial reporting pillar?

JBCE input

The Private sector should be involved in the work on standard setting. In terms of involvement, we believe that **companies newly-covered under the scope of the NFRD** must be included in the standard setting process, notably because their reporting burden will be bigger than companies that are already subject to the NFRD. In addition, it is important **to involve a global perspective** from non-European companies or business associations, as this will create a balanced and open standard, and facilitate the uptake of reporting standards for non-financial disclosures across companies' whole value chains and among likeminded partners.

2.1 – Any future possible EU non-financial reporting standards must be built on existing reporting standards and frameworks to the greatest possible extent:

- **How can the relevant existing standard-setting organisations be closely associated in future standardisation work? How would you see cooperation and involvement?**
- **More broadly, how should cooperation with existing public and/or private initiatives producing international standards and framework be established, to ensure that any future non-financial reporting standards applying in the EU build to the greatest extent possible on existing standards and frameworks?**

JBCE input

Current international initiatives should be respected and EFRAG should work with like-minded partners to ensure a collaborative approach in line with global standards. Moreover, by developing synergies from the outset, EFRAG will enable companies to swiftly **streamline reporting processes** across their **whole supply chain**, and hence provide a more comprehensive and accurate report of their activities to investors and other stakeholders.

At the moment, multinational companies that operate in EU, but are headquartered outside EU, conduct non-financial reporting based on several international initiatives, such as TCFD, CDP and GRI. Subsequently, they often disclose the information at the headquarter level. Amongst these multinationals, many are also subject to the NFRD. It is therefore reasonable to allow for some flexibility in EU standards to enable companies – if they wish – to report based on already existing international initiatives.

- **How can the EU non-financial reporting standard setting have a global impact?**

JBCE input

As companies become more international and develop correspondingly global supply chains, reporting and the use of the EU non-financial reporting standard will have an increasingly global impact. For example, companies not operating in Europe, could have partners within its supply chain that are present in Europe. Consequently, this could push those companies which are not in Europe, to provide their non-financial information based on EU reporting standards.

It is therefore essential to consider the impact on companies operating globally from the beginning of the EU standards setting process and consider that they may be submitted to different reporting requirements. By taking into account the situation of non-EU companies operating in Europe from the start and assessing how they report under existing initiatives, the EU can develop a stronger methodology which will led to a better and more comparable framework for all the actors operating in the EU market. This, in return, would increase adoption and use of the EU non-financial reporting standard at the international level, hence its global impact.

About JBCE

Founded in 1999, the Japan Business Council in Europe (JBCE) is a leading European organization representing the interests of about 90 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, textiles and glass products. For more information: <https://www.jbce.org> / E-mail: info@jbce.org

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