

## **Speech of Richard Howitt MEP to the Japan-European Union Business Reporting for Sustainability Symposium, Brussels, 26 May 2010**

May I begin by apologising that I wasn't able to be here at the beginning of today's event. I've enjoyed the discussion since I've arrived. But I think for my own contribution, I should return to the broader picture: why cooperation between the EU and Japan on sustainability reporting is important to both of us? What we might learn from each other? Why it is important for us to work together to shape new global mechanisms? Why we can succeed?

Indeed as you are aware it was my own proposal as European Parliament Corporate Social Responsibility Rapporteur to propose a Japan-EU dialogue on CSR and I'd like to warmly thank the European Commission for helping to organise today's event, indeed to thank all of the participants for taking part.

We do meet at a moment of crisis. A crisis where our companies accept their responsibility to do better, and where our societies want them to do better. A crisis that has thrown a new spotlight on public trust in companies, on transparency of their conduct, of short termism in their decision-making. A crisis which all of us in this room understand is one where existing financial methodologies have catastrophically failed to be able to identify the real value of a company and of companies.

So why did I choose Japan specifically to work with the EU in particular in combating this crisis?

Certainly we have a political opportunity with the election of the new Japanese government last year, the ratification of the new European Commission this year.

More than that, we have common problems of our societies. Not just the impact of the recession, but ageing populations, a failure to fully offer equal opportunity to women in the labour market, both of us struggling with the social consequences of long work hours. Both Europe and Japan are home to many multinational companies, giving us a responsibility beyond our borders. For both of us our traditional industries have been challenged fundamentally by the emerging economies of the world, and most of all the common challenge we face by the growth of China.

On corporate responsibility, we can argue that Japan and Europe have a joint responsibility as global leaders. On ESG or sustainability reporting in particular, European-based companies represent no less than half of all companies worldwide who report according to the Global Reporting Initiative. Whilst the Asian Sustainability Rating shows Japan to be the top Asian country for company sustainability reporting, ahead of India and Australia, with 60 per cent of your top companies undertaking CSR disclosure.

But here again we have some common challenges. Both of us need to move further in shifting from a concept of philanthropy to one of governance and accountability. Both of us have more advanced methods for measuring environmental compared to social performance of companies. Both of us have suffered from notorious corporate scandals - Brent Spa in Europe, Yukijirushi in Japan.

And if we prize our position as global leaders on corporate responsibility, both Japan and Europe should worry about being overtaken. When both the South African and the Malaysian stock exchanges have required ESG disclosure as a condition of listing; when in February this year the US Securities and Exchange Commission has issued new interpretive guidelines on corporate disclosure in relation to climate change, it is time for us to act.

Yes, we can learn from each other. In Europe we read about the traditional Japanese merchant philosophy, that business must be good for the community too. It is clear that both on the issue of companies having not just a culture but a philosophy and in moving to more long-term thinking, we can learn from you. But when I read the work of the Japan Foundation, it may be that Europe's tradition of activist NGOs, the work we have done on global supply chains, are issues which we can perhaps share with you to our mutual benefit.

But I want to be even more candid, I believe we in Europe need your help. Sometimes it takes someone from outside to show you what perhaps you have known all along. And the Japanese Business Council in Europe both in your submission on Europe's 2020 strategy and in your contribution to the Commission Workshops on disclosure, has highlighted not just how important CSR is, but that 27 different standards for disclosure would be a real burden to your and to our businesses - and Europe should try to move together.

And let us today acknowledge that there is a clear commitment of the European Commission that they do propose to bring forward a Communication focusing on ESG disclosure. And that the Accounts Modernisation Directives will also be reviewed. I want to publicly support these commitments of the European Commission on behalf of the European Parliament, and make clear to our Japanese partners that Europe is ready to act.

Now I know much of today is discussing detailed Key Performance Indicators which can be used in different ESG reporting, and comparing the experience of such reporting between Europe and Japan. There are important issues to resolve, including those on assurance.

I think it is best to leave this detailed discussion to you. But policy-makers here in Brussels do want to hear what you have to say.

So in the final part of what I want to say to you, as someone who represents Europe in relation to global CSR mechanisms, I want to argue that it is possible for us to move towards a common global framework for ESG reporting, and that Japan and the European Union can together play a decisive role in making this happen.

Alexander Welzl from EFFAS shows that the investors and analysts would like to make it happen.

My very good colleague Paul Druckman (will have) already described how Accounting for Sustainability is collaborating with the GRI and others to establish an International Integrated Reporting Committee, which they hope will be endorsed under the French Presidency of the G20 next year.

The commitment to international instruments and standards for CSR was pressed by Japan at the G8 meeting in Tokyo. And the commitment to CSR for all firms and not just the banks was a key conclusion of the G20 Global Plan for Recovery, agreed at the London meeting.

So we have the political will to make it happen. And we have all the key stakeholders working together on how it can happen.

But the people in this room, and the people we represent, have the ability to link the two together. To help forge a common understanding. And then to help win common agreement.

If you feel that is moving too fast, look - just look - at the problems around us.

I think it may have already been said that Accounting for Sustainability has been developed in conjunction with Britain's Prince of Wales. What you may not remember is that the Prince of Wales helped set up the International Business Leaders Forum, which subsequently played an enormous role in helping the countries of Eastern Europe make their transition from totalitarianism to market economies and to democracy.

Well today he and we are advancing a different transition - the transition for all of us to a low carbon economy, which protects and more equitably shares the depleted resources of our small world.

A moment of crisis. A moment of opportunity. I invite you to work together to seize it.

Thank-you.

ENDS

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