

**Recommendations
of the
EU-Japan Business Round Table
to the Leaders of the European Union and Japan**

Brussels, 15 May 2019

**Working Party 1
Trade Relations; Investment and Regulatory Cooperation; Financial
Services, Accounting and Taxation**

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List of Abbreviations

Abbreviation	Meaning
AEOs	Authorised Economic Operators
APA	Advance Pricing Agreement
ATP	Adaptation to Technical Progress
BEPS	Base Erosion and Profit Shifting
BPR	Biocidal Products Regulation
CAA	Consumer Affairs Agency
CbCR	Country by Country reporting
CCCTB	Common Consolidated Corporate Tax Base
CE	Conformité Européenne (European Conformity)
CLP	Classification, Labelling and Packaging
CMR	Carcinogenic Mutagenic or Reprotoxic
CoRAP	Community Rolling Action Plan
DDA	Doha Development Agenda
ECHA	European Chemical Agency
EIOPA	European Insurance and Occupational Pensions Authority
EN	European Norms (European Standards)
EP	European Parliament
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign Direct Investment
FSA	Financial Services Agency
FTA	Free Trade Agreement
FTT	Financial Transaction Tax
G8	Group of Eight
G20	Group of Twenty
GATS	General Agreement of Trade in Services
GDP	Gross Domestic Product
GHS	Globally Harmonized System of Classification and Labelling of Chemicals
GoJ	Government of Japan
GPA	Agreement on Government Procurement
GPS	Gross Product Strategy
HSE	Health Safety and Environment
ICTs	Intra-Corporate Transferees
IEC	International Electrotechnical Commission
IPM	Interface Public Members
ISO	International Organisation for Standardisation
JAS	Japan Agricultural Standard
JELMA	Japan Electric Lamp Manufacturers Association
JET	Japan Electrical Safety & Environment Technology Laboratories
JETRO	Japan External Trade Organisation
JIS	Japan Industrial Standard
JR	Japan Railways
KPIs	Key Performance Indicators
LED	Light-Emitting Diode
LoA	Letter of Access

MAFF	Ministry of Agriculture, Forestry and Fisheries
METI	Ministry of Economy, Trade and Industry
NTM	Non-Tariff Measure
NOL	Net Operating Loss
OECD	Organisation for Economic Co-operation and Development
OR	Only Representative
PPPR	Plant Protection Products Regulation
PSE	Electrical Appliance and Material Safety Law
R&D	Research & Development
REACH	Registration, Evaluation, Authorization and Restriction of Chemicals
RoHS	Restriction of Hazardous Substances
SDS	Safety Data Sheet
SIEF	Substance Information Exchange Forum
SMEs	Small and Medium size Enterprises
SVHC	Substance of Very High Concern
UNECE	United Nations European Commission for Europe
VAT	Value Added Tax
WCO	World Customs Organisation
WHO	World Health Organization
WTO	World Trade Organization
WP	Working Party

Introduction

Japan is the EU's sixth largest trading partner and the EU ranks as Japan's third largest trading partner. While already significant, this trade relationship has considerable upwards potential and the benefits of the EU-Japan Economic Partnership Agreement will stretch beyond the many European and Japanese companies already operating in each other's home markets to all those, attracted to the new opportunities it creates. Working Party 1 stresses that the implementation of the agreement must address the specific concerns of European and Japanese businesses reflected in this and previous reports. With so much at stake, we are urging the authorities on both sides to ensure that the necessary progress is made. Many reforms are required to secure a fair and competitive environment for business. They have been identified based on the extensive first-hand operational experience of Working Party 1 members in the Japanese and European markets. This report sets out concrete recommendations addressing the following key issues:

- Creation of a common regulatory environment, mutual recognition of regulations, standards and market authorisations to the extent possible, adoption of international standards and enhancement of regulatory cooperation
 - Elimination of unnecessary barriers and bureaucracy
 - Ensuring fair competition and equal treatment of all companies, domestic & foreign
 - Ensuring fairer and more open competition in services
 - Improving conditions for foreign direct investment
- and finally,
- Pursuing simpler, lighter and sensible tax systems, including the implementation of the BEPS Actions without additional administrative burden

To highlight priority issues in the text that follows, one asterisk (*) indicates "priority" recommendations. (e.g. WP 1/ # 01* / EJ to EJ)

Recommendations from both European and Japanese industries

WP-1 / # 01* / EJ to EJ Strengthening the EU-Japan Economic Relationship Post -EPA

The BRT praises both the European Commission, its member states, and the Japanese Government for realising the early entry into force of the EU-Japan EPA. At the same time, the BRT would like to emphasise that more can be done in order to get the most out of the agreement and also to build on the agreement to further profit from synergies. Hence the BRT recommends the following:

Enhancing Regulatory cooperation

The BRT calls on the EU and Japanese Authorities to:

- Continue to further strive for free trade between the EU and Japan without obstacles by pursuing regulatory cooperation, harmonisation and mutual recognition of international regulations and testing procedures.

The BRT believes that:

- Regulatory cooperation will help the EU and Japan to take the lead in setting global standards and regulations, and will benefit not only companies but also the economies and society as a whole;
- Stronger trade and further integration of our economies will also act as a counterweight to protectionist undercurrents.

Encouraging the use of EU-Japan EPA, particularly by SMEs

The BRT calls on the EU and Japanese Authorities to:

- Take great care to ease the use of the agreement, particularly by SMEs.
- Proactively inform industry of the benefits and how to use those benefits and preferences
- In particular, jointly release information on the Rules of Origin, and what documentation is needed to certify origin.

The BRT believes that:

- SMEs are an important and integral part of both the EU and Japanese economies. At the same time, they tend to face bigger difficulties in utilising a

complex system due to lack of resources. Getting them on board is necessary to make the trade between EU and Japan reach its full potential.

- Different treatment by the authorities in regards to the Rules of Origin will be devastating for the utilisation rate of the agreement. It is therefore crucial that the authorities minimise differences in treatment

Joint investment in 3rd countries

The BRT calls on the EU and Japanese authorities:

- To continue to support the EU and Japanese industry to make joint investments in 3rd countries.

The BRT believes that:

- This is in particular important in developing countries where investment can help the country in question raise its standard of living dramatically;
- It is furthermore important that the EU and Japan continue to have a global presence to stay competitive.

Minimising the impact of Brexit

The BRT calls on the EU, and the UK Authorities to:

- Work together to safeguard and promote free and fair trade through broad and deep economic partnership across all trade of goods, services and investments including frictionless trade such as no tariff, effective regulatory alignment and minimum customs procedures between EU and UK;
- Maintain/restore a favourable business environment including unfettered investment, smooth services, and financial transactions, harmonised regulation and standards, and access to workforce with necessary skills.

The BRT calls on the Japanese Authorities to:

- Reach an agreement with the UK as early as possible in order to realise free trade between Japan and the UK, once UK's departure from the EU is confirmed.

The BRT believes that:

- Brexit is impacting not only the EU, Japan, and the UK separately but also the EU-Japan relationship;
- Clear indication on the future relationship between the EU and the UK with sufficient transition periods is necessary to address the wider concerns across the industries on a global scale;

- Fair and free trade among the EU, Japan and the UK will not only help business activities but also benefit the wider area of cooperation and mutual interests including the welfare of consumers and society as a whole while also continuously encouraging the rules-based international order, the rule of law and promotion of democracy.

WP-1 / # 02* / EJ to EJ Recommendations for an ambitious multilateral trade agenda following the WTO Ministerial Conference in Buenos Aires

Under the growing pressure of protectionism in the world and the prevalence of trade-distorting practices, the EU and Japan must together defend with other WTO members the centrality of the WTO as the guardian of the multilateral trading system, and the value of WTO agreements as a basis of fair rules to maintain order in global trade and to promote further liberalization. It is therefore crucial that the WTO and its members to take into account concerns expressed against trade and globalisation, while ensuring that the multilateral trading system remains relevant and is updated to better respond to current challenges.

The BRT calls on the EU and Japan to:

- Reinforce the negotiating pillar of the WTO to better disseminate the benefits of global value chains. The EU and Japan must play a central role in this regard.
- Safeguard the proper functioning of the enforcement pillar of the WTO, its Appellate Body. The current deadlock in the appointment of new judges means that the body is at risk of being paralysed by the end of this year, undermining the possibilities for effective dispute settlement and encouraging WTO members to go beyond WTO rules in their attempts to remedy trade issues.
- Explore further topics that are essential for the smooth functioning of global value chains together with other WTO members. These could include, for example, industrial subsidies, the reduction of export restrictions, investment facilitation and competition.
- Revitalise plurilateral negotiations and create momentum for negotiations to move forward for the Trade in Services Agreement (TiSA), or, alternatively, explore other ways to achieve liberalization in the field of services.
- Lead the discussion of further expanding the product coverage and membership countries and regions for the Information Technology Agreement (ITA), as agreed in December 2015.

The BRT believes that:

- The launch of negotiations for an agreement on e-commerce by 76 WTO members is an important step in the right direction for the rule-making pillar of the WTO and the BRT calls for an ambitious and comprehensive outcome.

- It is important to realise global free trade in goods and services under the auspices of the WTO. This should include goods over the whole value chain to have a real impact and to take into account the globalisation of the value chains. Liberalisation should also include environmental goods, so long as it does not discriminate unfairly between products and sectors.
- Further progress should be achieved in the negotiation on other agenda items such as non-agricultural market access (NAMA), agriculture, non-tariff barriers (NTBs) and export subsidies at the next WTO Ministerial Conference on 8-11 June 2020 in Kazakhstan.

WP-1 / # 03* / EJ to EJ Applying international standards and enhancing regulatory cooperation

The BRT believes that regulatory cooperation will be key to the economic prosperity of the two economies. Given the successful entry into force of the EU-Japan EPA this February, it will be more important than ever not only to ensure that new regulations do not nullify or impair the market access benefits under the agreement or create new barriers to bilateral trade, but also to further expand and strengthen the regulatory cooperation between the two economies so that the EU and Japan will be able to create a seamless business environment and eventually expand such cooperation to other bilateral and multilateral relations.

General recommendations

The BRT calls on the EU and the Japanese authorities to:

- Building on the EPA, jointly pursue the harmonisation of rules, regulations and standards. While the EPA has certainly provided great success in this regard, the BRT believes that the work has to continue to deal with areas not covered by the EPA as well as new areas and technologies.
- Increase their understanding of existing and upcoming regulations of the other side
- Where international standards have not yet been developed, when possible, and appropriate, to accept the mutual approval of the import, sale or use of products that have been approved on the basis of functionally equivalent requirements.
- Study the possible impact of new regulatory developments on domestic and foreign business to avoid taking initiatives that might unwittingly create barriers to trade and investment.
- To establish a close dialogue with industry regarding the harmonisation of regulations and standards.

The BRT believes that:

- The EPA creates a perfect platform for regulatory cooperation, but that further efforts are needed to keep the momentum up.
- A similar mind-set as was shown during the negotiations is needed so that an enforceable harmonisation of regulations can be realised.
- Continued dialogue is needed, but that clear goals are defined as to avoid a dialogue without results

1. Create a common chemicals regulation

The BRT calls on EU and Japanese authorities to:

- Establish a common list of restricted substances and a common approach to the evaluation and sharing of data, and the hazard classification.
- As a first step towards complete recognition set up a system where test results carried out in either the EU or Japan to be recognised as carried out in the other region.

The BRT believes that:

- The EPA provided a good platform with progress made for biodegradability of organic chemicals. However, more efforts are needed to harmonise or mutually recognise the two systems.
- A common regulatory environment will not only benefit the industries through cost mitigation but also benefit users and consumers through lower prices and consistent protection.

2. Create a common resource efficiency policy

The BRT calls on the EU and Japanese authorities to:

- Promote the concept of resource and energy efficiency, using the right incentives, standardised test methodologies, criteria and a common format of environmental products declaration between the EU and Japan and cooperate with each other so that such policies are internationally shared. Areas, where regulatory harmonisation should be pursued, are the material recycling and energy recovery fields which are essential for both EU and Japan economies if they are to become circular.
- Work together at the multilateral level to promote international harmonisation of energy efficiency regulations, relevant labelling rules, and environmental and carbon footprint schemes.

The BRT believes that:

- Only through a common approach can many of the energy and environment related issues be solved. It is therefore vital that the EU and Japan show leadership in the field at ISO and IEC level.

3. Expand the benefits of AEOs

The BRT calls on the EU and Japanese authorities to:

- Aim at introducing further regulatory cooperation in order to give more concrete benefits to AEOs.
- Focus on introducing real advantages without increasing the administrative burden for companies, giving them freedom and simplification and responsibility in terms of imports.

The BRT believes that:

- A smoother logistical system where benefits are given to companies that can show that they have the capacity to properly trace each shipment.
- This is also beneficial for the authorities as they will be able to focus more on illegal shipment and to support companies that have less capacity regarding traceability.

4. Adoption of UN Regulations and promotion of regulatory cooperation in the automobile sector

The BRT calls on the EU and Japanese authorities to:

- Continue to work and promote the UNECE as a forum for global harmonisation of the vehicle regulations.
- Furthermore, accelerate their adoption of the UN Regulations to lower the cost of regulatory compliance for both European and Japanese automobile exports by extending the benefits of mutual recognition.
- Work together to establish internationally harmonised technical requirements and testing procedures that will encourage the smooth market adoption of environmentally friendly and safety vehicle technologies, such as electric, clean diesel, hybrid and fuel cell vehicles, autonomous and connected driving technologies.

The BRT believes that:

- A common regulatory framework will send a strong signal to the rest of the world that harmonisation and the UNECE is the right forum for this.

WP-1 / # 04 / EJ to EJ Avoiding double contributions on social security

The BRT welcomes the conclusion of social security agreements between Japan and 13 EU Member States. Negotiations or preliminary talks are under way between Japan and some EU Member States.

The BRT calls on the EU Members States and Japan to:

- Swiftly conclude bilateral agreements so that double pension payments are not needed.

- As an interim measure, introduce regulation that either exempts employees and employers from pension premiums or returns the paid amount of both the person and the employer when the person leaves the country.

The BRT believes that:

- With increased labour mobility, the need for companies to both transfer and recruit globally will increase.

WP-1 / # 05* / EJ to EJ Recommendation on BEPS Action Plan and Other Tax Issues

The BRT supports the creation of an internationally fair taxation framework and level playing field. At the same time, the BRT believes that taxation system should be as simple as possible and should not create excessive administrative burden on businesses.

BEPS Action Plan

The BRT calls on the EU and Japanese Authorities to:

- Ensure that the implementation of BEPS Actions should not create additional administrative burden on businesses;
- Request to file CbCR only to MNE's top parent company but not to MNE's subsidiaries in accordance with the OECD suggested protocol;
- Aim at facilitating the conclusion of bilateral and multilateral APAs;
- Not to implement the European Commission's proposal for Public CBCR as it breaches the confidentiality of information on taxpayers;
- Keep confidentiality of information concerning taxpayers as BEPS Action 13 demands;
- Give specific consideration to the global trading business model broadly conducted by the financial services industry in terms of Permanent Establishment ("PE") that the tax authorities in European Countries give utmost consideration before making any tax assessment based on the determination that a trader booking into an offshore booking entity under the global trading business should qualify as dependent agent;
- Give utmost consideration to the implementation requirements in other jurisdictions before implementing new tax rules, which may or not be BEPS Action 13 and 7 related;
- Avoid unnecessary uncertainty for compliant taxpayers and unintended double taxation as was agreed by OECD/G20 countries in 2013.

Other Tax Issues

The BRT calls on the EU and Japanese Authorities to:

- Include all EU Member States and Japan in the mandatory binding MAP arbitration in their bilateral tax treaties which the commitment was made by 20 countries including Japan and 13 EU Member States (Austria, Belgium, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Poland, Slovenia, Spain, Sweden, and the UK) as a mechanism to guarantee the resolution of treaty-related disputes within a specified timeframe;
- Pursue simpler, lighter and sensible tax systems which will lead to growth and innovation, and furthermore, reduce time and cost for both businesses to comply and tax authorities to enforce;
- Promote healthy competition on tax, human resources, and infrastructure which are decisive factors in attracting investments;
- Eliminate double taxation and modernise tax treaties between EU Member States and Japan to ensure that royalty, interest and dividend payments are exempted from withholding taxes to the greatest possible extent.

WP-1 / # 06* / EJ to EJ Recommendation on Rules of Origin

With the entry into force of the EU-Japan Economic Partnership Agreement, Rules of Origin will play a vital role. Producers will have to fulfil these rules for the product to benefit from the preferences given by the agreement.

The BRT calls on the EU and Japanese authorities to:

- Jointly publish handbooks on how to utilise the agreement from the perspective of Rules on Origin.
- Pay special attention to the certification of origin as this ultimately decides whether a product can or cannot benefit from the preferential treatment offered by the agreement.
- Jointly clarify what is needed to support the statement on origin issued by the exporter as well as clarify when origin is certified by the importer
- Address concerns expressed by business regarding the possible transmission of confidential information from the exporter to the importing customs authority in origin verification investigations.

The BRT believes that:

- The lack of clarity and lack of detailed information on the treatment of both the statement of origin issued by the exporter and the equivalent version made out by the importer is of concern, in particular whether additional supporting documents are required at the time of import declaration.

The BRT fully understands that it is difficult to present information that would cover every eventuality, but illustrative examples would help to improve the utilisation rate of the EPA.

WP-1 / # 07* / EJ to E Recommendation on Financial Transaction Tax

The BRT calls on the EU and Japanese authorities to:

- Minimise the negative impact of the Financial Transaction Tax, especially regarding the possibility of reduced volume of financial transactions and decreased liquidity.
- Take great care to make certain that funding cost does not increase and that impairment of legitimate hedging activities is not hindered.
- Carefully consider the ongoing discussion on scope of transaction, country of taxation and tax rate in one harmonised tax regime so as to develop and integrate capital markets in the EU.

The BRT believes that:

- While clear and transparent regulations are not an issue, the Financial Transaction Tax risks decreasing the liquidity in the market which have a negative effect to not only the financial institutions but other companies and consumers as well.

Recommendations from European industry to Japan

WP-1 / # 08* / E to J Harmonisation & mutual recognition of standards and product certifications; acceptance of international standards where applicable

Industry still faces standards and products certifications that are not harmonised with international standards or regulations. Furthermore, some overseas approvals, despite having been issued in accordance with EN and/or ISO, are not recognised by the Japanese authorities. This leads to delays in the introduction of innovative new products to the market and increases import costs. While accepting the need to safeguard consumer health and safety, the BRT urges Japan to promote the harmonisation of standards and certification procedures, the mutual recognition of product certification and, in areas where harmonized standards do not exist, the mutual approval of the import, sale or use of products that have been approved on the basis of functionally equivalent requirements, so that products certified for one market are automatically accepted in the other market. The BRT recommends the Japanese Government to place particular emphasis on:

Automobiles

The EPA agreement in principle ensures that “both Japan and the EU will fully align themselves to the same international standards on product safety and the protection of the environment, meaning that European cars will be subject to the same requirements in the EU and Japan, and will not need to be tested and certified again when exported to Japan”.

However, in this area a big gap has to be seen between the ambition of the Agreement and the reality. This is due to the transition periods of up to 7 years, several exemptions and specific provisions in some areas. All in all, the Agreement does not significantly change the current status to an improved situation.

It has to be feared that under the current provisions of the Agreement, improvements will be seen only gradually and slowly. Especially in the important area of emissions/fuel consumption, the discrepancy is expected to last.

The BRT calls on Japanese authorities to:

- Shorten the transition periods,
- Promote further harmonization in areas currently not covered by the agreement,
- Change optional to mandatory conditions regarding the approval of EU certificates, especially in the area of emissions/fuel consumption to ensure that – as intended by the EPA – vehicles will not need to be tested and certified again when exported to Japan,
- Use the Automotive Working Group to increase the benefits in this area by speeding up the envisaged changes and widen the harmonization efforts.

Railways

The BRT calls on Japan to:

- To be more involved in introducing a national system for conformity assessment and to encourage mutual recognition of testing and certification. The BRT believes that a working group led by the Japan authorities including both domestic and foreign companies from all railway related sectors should be established.
- Take extra care that standards and testing required by Japanese operators are communicated in a transparent manner so that European suppliers can meet and exceed these requirements.

The BRT believes that:

- A national testing scheme would lower the costs for suppliers and would at the same time make it easier for the authorities to make certain that railway related companies fulfil the proper safety requirements.

Processed food

While the EPA offers lower tariffs, the regulatory situation for companies still remains the same. This means that companies have to spend significant resources and money to fulfil requirements that are often unique to Japan.

The BRT calls on Japan in collaboration with the European authorities to:

- Recognise European approvals and test methods
- Harmonise with internationally approved food additives and enzymes
- Abolish the system where some products receiving benefits under the EU-Japan EPA have to be imported by ALIC.

The BRT believes that:

- With more recognition of European approval and test results, Japanese consumers will benefit from more and cheaper European products.

WP-1 / #09* / E to J

Self-verification and risk assessment

Risk assessment and self-verification become more and more common as production cycles become shorter. This in order to offer a way to shorten the time to introduce a product to the market and at the same time ensuring that proper responsibility is taken by companies. While self-verification is used in Japan too, government or third party approval is often the norm.

The BRT calls on Japanese authorities to:

- Expand the use of self-verification while ensuring that proper care is taken to protect the safety of human life, as well as animals and plants.

WP-1 / # 10* / E to J Automobiles

Kei cars and other motor vehicles continue to be subject to different treatments in terms of tax, insurance and parking rules. Although METI and JAMA have suggested reducing the level of discrepancy in taxation to the order of 1:2, for the time being, the discrepancy in the base level of taxation of kei cars and subcompact cars at 1:3.3 remains unacceptably wide.

The BRT calls on Japanese authorities to:

- Put kei cars and other motor vehicles on the same fiscal and regulatory footing.

WP-1 / # 11* / E to J Freight and logistics

Further to the WP-1 / # 03 / EJ to EJ, the BRT recommends that Japan revises its AEO system to introduce real benefits for operators regardless of whether they are forwarders, customs brokers or importers. Furthermore, the administrative load needs to be lessened if companies are to be truly attracted to the AEO status.

The BRT calls on Japanese authorities to:

- Allow a bonded warehouse to act as a port of first entry in regards to products covered by quarantine related regulations.
- Promote Electronic Delivery Order for ocean freight
- Take the lead in trying to digitalise the logistics industry as currently many Japanese companies, including large companies, are still using fax and paper orders.
- Allow smartboxes to be part of the container. Only in Japan does this has to be declared as part of the cargo, hence it has to be declared for import.

The BRT believes that:

- A more seamless and flexible transport sector will have a positive impact on the general flow of trade and better facilitate the improved market access offered by the EPA.

WP-1 / # 12* / E to J Retrospective application of the EPA

Many importers in Japan have struggled to utilise the preferential treatment offered by the EPA due to Japan Customs asking for additional information. This information has in many cases either been confidential, the importer has not had possession of such information due to other reasons or imports were time sensitive and therefore the importer did not want to take the risk of a delay due to missing information requests. Unfortunately because of this some companies have opted for importing the products outside of the agreement paying the WTO tariff. With the announcement made by Japan Customs stating that the submission of additional information is not obligatory it should now be possible to import the very same products. While the EU has a tradition of retrospective application Japan has not.

The BRT calls on Japanese authorities to:

- Allow for the retrospective application of the agreement so that products that do indeed have origin in the EU can make use of the agreement as was always intended.

WP-1 / # 13* / E to J Aeronautics

Haneda D runway weight restrictions are an obstacle to the use of European-made aeroplanes and an obstacle to further development of international traffic at Haneda. These weight restrictions should be re-examined to allow the operations of new and larger aeroplanes such as Airbus-made A380 and A350.

The BRT calls on Japanese authorities to:

- Re-examine the weight restrictions to allow the operations of new and larger aeroplanes such as Airbus-made A380 and A350. This should be in line with the approval of the 747-8i which is in the same category as the A380 (code F aircraft).

The BRT believes that:

- With the increasing number of tourists coming to Japan, which will increase thanks to both the Rugby World Cup and the 2020 Olympics, in combination with the difficulties of increasing the number of slots, larger aircraft would play an important role in overcoming these challenges.

WP-1 / # 14 / E to J Financial reporting

Differences in financial reporting often force companies to draw up multiple financial reports. This is, in particular, the case for multinationals

The BRT calls on Japanese authorities and the ASBJ to:

- Give greater priority to attaining alignment of JGAAP with IFRS, thereby reducing the need for cumbersome reconciliations.
- Consider adjusting tax and company laws to facilitate financial reporting convergence where there are close ties between them. That way companies can keep existing tax accommodations while obtaining the aforementioned benefits of financial reporting alignment.

The BRT believes that:

- This will contribute to reduced costs, improved data transparency and accuracy, and at the same time strengthen the attractiveness of the Japanese financial market by improving the comparability of Financial Statements.

Recommendations from Japanese industry to the EU

WP-1 / # 15 / J to E Chemical Regulations

REACH

The BRT calls on the EU authorities to:

- European Commission is planning to review the REACH regulations, and it includes the establishment of the registration rules for polymers. Polymer registration rules should be applied only for the polymers which have high concern for human health and the environment, and not applied for the low concern polymers, same as the other nation rules.
- The definition of the low concern polymers should be based on scientifically reasonable standards.
- The abolition of the current constitution monomer registration rules for imported polymers, instead of the introduction of the new polymer registration rules.

The BRT believes that:

- The monomers registration rules are not an impartial system, because it is mandatory only for companies which import polymers from outside of EU, and not necessary for polymer procurement from EU inside. In many cases, non-EU chemical manufacturers do not produce polymers by themselves but purchase from outside and prepare them, so they have to ask upward of supply chains for various kinds of monomer information necessary for registration. It becomes a heavy burden for non-EU companies, and acts as a kind of non-tariff barrier.

The BRT calls on the EU authorities to:

- There are many and well-reliable chemical data in the REACH, and the EU authorities have a privilege to take an initiative on the international actions for data sharing. Given this situation, they should encourage the REACH registrant to share the data with the applicants in the other chemical regulations outside of EU, for instance, by the preparation of the rules or guidance designated for the international data sharing.

The BRT believes that:

- For protection of human health and the environment, it is significant to utilize the physical and hazardous data of REACH registration for the chemical regulations in the other nations. In addition, from the viewpoint of animal welfare, it is important to avoid unnecessary animal studies by utilizing them as much as possible. But in reality, troubles happen in some cases now. For example, in Korea, when the negotiations between the REACH registrant and the

representative for registration of K-REACH are in difficulty, Korean companies are eventually forced to do the test by themselves and it causes the problems. It is not clear with whom we should negotiate, and there are no rules for appropriate cost sharing.

The BRT calls on the EU authorities to:

- Mitigate the negative effect of the withdrawal of the UK from EU on the implementation of REACH.
- Settle the transitional measures to prevent the expiration of the OR change in case of a no-deal Brexit in which UK exits the REACH regulation at the same time.

The BRT believes that:

- As the withdrawal of UK becomes imminent, too many non-EU companies which appoint UK consulting companies as the only representative (OR) request to change OR to EU consulting companies. As a result, some OR in UK which planned to finish the procedure before the Brexit cannot settle the procedures in time, and there is concern that some non-EU companies may not be able to finish changing OR before Brexit.

Appropriate approach to endocrine disruptors

The BRT calls on the EU authorities to:

- The substance which may have a potential for endocrine disrupting effect should be evaluated and eventually nominated as SVHC with special care as much as possible.
- Promote the action to make subjects about the low dose effect by endocrine disruptor clear with a tangible deadline.

The BRT believes that:

- Some substances, like “3-BENZYLIDENE CAMPHOR” evaluated as SVHC from January 2019, are evaluated as such based on the endocrine disrupting potential for human and environment, by the reason that the potential can be observed in some kinds of creatures, although the subjects mentioned as following are not reached a clear scientific conclusion. On the other hands, in reality, markets tend to eliminate the substances listed on the SVHC list before actual hazard level becomes clear, in case of the possibility to be added them to authorization in the future.
- The subjects about potency of endocrine disruptors are not reached clear scientific conclusions yet, like it can be settled any thresholds of endocrine disruption or not, and the thresholds can be measured or not.

RoHS

The BRT calls on the EU authorities to:

- Stay harmonized and consistent in the operation of RoHS and REACH, and aim to do prior confirmation and adjustment to prevent confusion in the correspondence of supply chain, like the past case of the SVHC concentration criteria in goods where multiple interpretations existed and where problems occurred.

Nanomaterial

The BRT calls on the EU authorities to:

- The enforcement date (1st January, 2020) of the REACH ANNEXES, which newly regulate the necessary subjects for registration dossier about nanoforms, should be deferred until all the knowledge and tools, such as the OECD test guideline and grouping tools applicable to them can be available for the registrants.

The BRT believes that:

- The test methods or tools of nanoforms which REACH ANNEX requests are under developing.

WP-1 / # 16 / J to E

Common Consolidated Corporate Tax Base (CCCTB)

- The BRT urges the authorities of the EU to adopt the second step CCCTB proposal swiftly after the adoption of the first step CCTB proposal because the BRT thinks that the substantial benefits to businesses are mostly in the second step.
- The BRT hopes that, in the deliberations of the proposals of CCCTB in the Council, the Member States will keep the tax system simple and sensible, and focus on fostering growth and investment.
- The BRT would like to suggest that, if the Member States should find it difficult to agree on the CCTB/CCCTB proposals, they should move on to the enhanced cooperation procedure swiftly so that CCCTB would be first implemented by the Member States that support them.
- The BRT encourages the EU to aim at making the Best Practice corporate tax system in the world to which countries around the world would aspire.

WP-1 / # 17 / J to E Sustainable European Future

Policy on the Sustainable Development Goals (SDGs) and Corporate Social Responsibility (CSR) / Responsible Business Conduct (RBC)

The BRT calls on the authorities of the EU to:

- Integrate SDGs/CSR in the EU policy-making and take the lead in policy discussions on how to encourage the uptake of SDGs/CSR and promote both individual and collective actions to maximise positive impacts while mitigating negative ones.
- Build an open platform beyond EU Multistakeholder Platform on SDGs: the European Commission should open up dialogues and consultations beyond the EU Multi-stakeholder Platform on SDGs. Japan is a key partner of the EU, especially thanks to the comprehensive partnership under the bilateral EPA. It would be particularly beneficial not only to exchange best practices between Japan and the EU, but also to gather views on the future policy trajectory in the two regions and globally. The EU-Japan CSR Working Group, one of the technical working groups set up by DG GROW and METI within the EU-Japan Industrial Policy Dialogue, could serve as a vital bilateral platform for dialogue to supplement other multi-stakeholder mechanisms.
- Take care not to reinvent the wheel, but build on the past experiences. Many frameworks and collaboration platforms on sustainability involving companies and stakeholders following EU CSR/RBC policy exist. We should focus on these collective achievements in CSR/RBC and address the SDGs in separate, dedicated for ato identify best practices and share knowledge for further innovation and collaboration to achieve the SDGs.

The BRT believes that:

- The Commission’s reflection paper published on 30 January “Towards a Sustainable Europe by 2030” provides welcome impetus to the next Commission to carry this work forward and to ensure consistent sustainability policies across the board and therefore a stable business environment.

Responsible supply chain management

The BRT calls on the authorities of the EU to:

- Promote internationally recognized frameworks in the EU that take a risk-based approach instead of adopting the EU-specific conditions. A globally coherent framework is a pre-condition to enable companies to take a global approach as well as meaningful local actions. Such frameworks include the UN Guiding Principles on Business and Human Rights and the OECD Guidance for Multinational Enterprises.

- Take leadership in closing the governance gap between countries and regions in order to effectively address the fundamental problems on the ground. The BRT recognises that the efforts of industry alone cannot ensure responsible sourcing of products and services from such regions. It is crucial that national governments get involved and collaborate and thus EU diplomacy has an important role to play. The BRT supports dialogue and engagement with stakeholders. It is the best method to drive collaboration across different cultures and systems and to create value for business and society.
- Create an environment where companies are encouraged to nurture responsible supply chains. The EU should recognise company efforts to make progress in nurturing competitive, value-creating supplier networks and to put in place enabling management processes, as opposed to a punishing framework.

Disclosure and transparency

The BRT calls on the authorities of the EU to:

- Emphasise dialogue as an equally valuable means for companies to strengthen the trust of their investors and stakeholders and leverage the improvements of companies' internal practices by incorporating dialogue into the PDCA management cycle. Dialogue is a powerful tool in fostering a culture of risk management and innovation, whereby companies across different cultures can exchange views on potential future risks as well as explore collaborative opportunities;
- Envisage non-financial reporting as a meaningful channel for companies and investors to discuss/exchange value creating processes, but not as an administrative tool cultivating a compliance mind-set. Disclosure of information is an important means for companies to communicate about the value they create and has a potential to generate trust among stakeholders. However, materiality differs for each company, depending on the nature of its business, the perspective of top management and corporate culture. Due to the Different ways materiality can be defined, companies should be given flexibility to decide what they report to best demonstrate the company's value creation and retain discretion in determining content and recipients of the information. A principle-based approach is the only viable way for companies to meaningfully explain their business in a dynamic and changing environment.
- Foster innovation and growth by motivating companies to integrate CSR/SDGs into daily business to become more innovative and competitive in the global context. This includes open exchanges among stakeholders, partner countries or regions, governments and suppliers.
- Not create and impose EU-only monitoring/reporting mechanism for companies regarding their contribution towards SDGs. Monitoring is a meaningful tool if it is focused on the impacts and improvements that are important to companies. Rather than acting independently, the EU should collaborate with other countries such as Japan to create a widely applicable monitoring mechanism.