

IAFEI Weekly Update

Knowledge, Resources, News, and Announcements

This is an issue of IAFEI Weekly Update for the week of March 25, 2024.

Valued All IAFEI Board members, ExCom members & Advisory Committee members:

The following interesting and useful articles and information await you in this issue. I hope you enjoy reading them.

My special thanks to Piergiorgio, Conchita, and Yaguchi-san for their contributions.

- **IFRS February 2024 monthly news summary**
 - ✓ **Opening remarks by Erkki Liikanen, Chair of the IFRS Foundation Trustees**
 - ✓ **IFRS Sustainability Symposium 2024**
 - ✓ **IFRS Foundation publishes summary of national accounting standard-setters' research on materiality judgement guidance, etc.**

(Contributed by Ms. Conchita Manabat) → [Read the article online](#)
- **IFRS March 2024 ISSB Update and podcast now available**

(Contributed by Ms. Conchita Manabat) → [Read the article online](#)
- **Accountancy Europe**

Webinar: How can company boards lead the sustainability transition?
(Contributed by Mr. Tsutomu Mannari) → [Read more and register online](#)
- **BUSINESS EUROPE The WTO matters for businesses**

(Contributed by Mr. Piergiorgio Valente) ... Page 3
- **BUSINESS EUROPE**

Competitiveness is key to make the green transaction a just one
(Contributed by Mr. Piergiorgio Valente) ... Page 3
- **OECD What's new from the OECD in international tax matters?**
 - ✓ **Latest OECD reports to the G20 on tax and carbon mitigation approaches**
 - ✓ **Public comments on the taxation of extractives**
 - ✓ **TIWB criminal tax investigation programme in Ukraine**
 - ✓ **Upcoming event**

(Contributed by Mr. Piergiorgio Valente) → [Read the online articles](#)
- **EESC "Annual Sustainable Growth Survey 2024".**

(Contributed by Mr. Piergiorgio Valente) ... Page 4

■ **HR** **Hard to swallow “Human Capital” Series No.4**

(Contributed by Mr. Yaguchi; Translated by Mr. Mannari) ... Page 5

Please feel free to circulate this within your organization. I am hoping that this Weekly Update may increase the value of IAFEI membership. If you have any suggestions, or recommendations, or would like to participate to provide articles. Please do not hesitate to contact me.

Thank you for your continuous support and I would love to hear from you.

Tsutomu Mannari

Chairman of IAFEI

(Total 8 pages)

BUSINESS EUROPE | The WTO matters for businesses |

The World Trade Organization (WTO) brings concrete advantages for companies. It provides legal certainty and stability in times of geopolitical tensions and increasing risks.

At an event organised by BusinessEurope, the Confederation of Swedish Business and the US Chamber on the margins of the WTO's 13th Ministerial Conference (MC13), businesses from Europe and the US highlighted the importance of the WTO in preventing non-tariff and tariff barriers and allowing for the development of more resilient value chains. The WTO needs to remain effective through enforceable rules that support innovation and adjust to today's digital and green transformation. The business community is keen to see an extension of the e-commerce moratorium, concrete actions to address the appellate body blockage, rules that protect intellectual property and address increasing subsidisation and advances in the plurilateral negotiations.

→ [Read this and other articles online](#)

(Source: BUSINESS EUROPE Headlines 1 March 2024)

BUSINESS EUROPE

Competitiveness is key to make the green transition a just one |

There will be no successful green transition without competitiveness and companies that have the means to invest in technologies and human capital.

This was BusinessEurope's message at the European Conference for a Just Transition on 4 March, organised by the Belgian Presidency of the Council of the EU. Deputy Director General Alexandre Affre emphasised the need for Europe to prioritise growth and industry to ensure competitiveness and a successful green transition. Acknowledging the diverse impacts on society and industries, he stressed the need for collaboration among policymakers, employers and workers. European businesses are ready to take their share of the responsibility, they have already been transforming their operations and engaging in massive investments. While recognising the challenges ahead, Affre underlined the importance of efficient financing for the green transition and urged a focus on implementing existing legislation. The priority must be to ensure the effective roll-out of the adopted legislations and, as much as possible, on simplification of rules. Additionally, Social Affairs Director Maxime Cerutti highlighted the critical role of managing employment and skills in the transition. Job tasks and the skills content of jobs are impacted by the changing modes of production. This calls for education, training, employment, and social protection policies to adapt our workforce to the green transition. Cerutti also underlined the importance of upskilling and reskilling the existing workforce in the context of growing labour and skills shortages.

→ [Read this and other articles online](#)

(Source: BUSINESS EUROPE Headlines 7 March 2024)

EESC (the European Economic and Social Committee)

"Annual Sustainable Growth Survey 2024" |

Dear Sir / Madam,

At its 585th plenary session, held on 14 and 15 February 2024, the European Economic and Social Committee (EESC) adopted an opinion on "Annual Sustainable Growth Survey 2024".

The EESC recommends that the European Central Bank closely monitoring of economic risks, with careful contingency planning to ensure credible inflation outlooks, and advises the ECB to be prepared to adjust policies if inflation deviates from targets. The Committee also calls for concrete engagement with national parliaments, regional authorities, civil society, and social partners to reform the EU's macroeconomic governance, and emphasises the importance of taking ownership of these reforms at national level through effective dialogue. Finally, the EESC urges a balanced approach to phasing out crisis support, which continues to assist vulnerable groups impacted by high energy costs and inflation, and calls for a permanent framework of means-tested support in some countries, and emphasises the need for a detailed discussion on social impacts.

The EESC opinion available in all official EU languages, its key points and other related documents can be consulted via this link:

► [Annual Sustainable Growth Survey 2024](#)

Yours sincerely,

Ioannis VARDAKASTANIS
President of the ECO Section

(Source: European Economic and Social Committee)

Hard to swallow “Human Capital”

Series No.4

This HR Balance sheet concept was first invented by Mr. Hiroshi Yaguchi & introduced at IAFEI Webinar on the 27th of Feb. IAFEI Chairman Mr. Mannari.

IAFEI Weekly update will introduce his concept as a series of 4 weeks by translating into English from the original Japanese article.



In 1989, he graduated from the Faculty of Economics at the University of Tokyo and joined Sumitomo Banking Corporation (currently Sumitomo Mitsui Banking Corporation). After experiencing business research, human resources, and corporate finance at the bank, he established the Japan CFO Association in 2000. CFO, develop an education business to build a network of management and finance departments and train corporate finance professionals. He has served as the Asian representative and president of the International Federation of Financial Executives (IAFEI). Established the Japan CHRO Association in 2018 and the Japan CLO Association in 2020 to strengthen the corporate functions of companies including human resources and legal affairs.

The following article is a continuation of the previous article (Series No. 3).

From the maximization of capital to the sustainable growth of human resources

The idea that human capital investment is done by people into the company overlaps with the current economic and social structure that is shifting from the era of the company to the era of individuals. Before entering the high growth period of the Showa era, in the era of coal mining, management treated people as a simple disposable resource and positioned that people should just work as a group as a labour force. It is a human rights issue, so we have entered the era of labor movements and union activities. Even after this era to now, people have been still "resources" and costs". Human capital management is required based on the reflection in the above historical background.

From the era of the company to the era of individuals

From the company point of view, now is an era of human capital management. However, the situation of society has changed a lot. To be clear, we are moving from the era of the company to the era of individuals. The leading role is not the company.

The era of having a computer in my father's company is long over, and it's not uncommon for children to have smartphones to perform better than their parents' computers. As long as you have a battery and WiFi, you can do almost everything with your smartphone. It's understandable that there are many young people who don't have any interest in the company. In addition, generated AI like

ChatGPT has been born here, with your smartphone, you can dramatically increase your personal ability without an app. While the company is still debating whether to use ChatGPT at work or not, regardless of an employee, a customer, or an investor, the individual is surpassing that of the company in terms of information and intelligence. Of course, there is a limit to what generating AI can do, and of course it is not as good as human intelligence in certain areas, but no matter what the word singularity is, it is far beyond human intelligence in terms of specific abilities.

Company will become to be merely a platform.

In the past, there used be situations that the head office held all the information as its privilege and only the management knew them, but in this digitalized society, if companies that continue to do such things will eventually become extinct. Regardless of whether it is centralized management or decentralized management, all information is in an era where everyone uses it as needed. The era of not knowing the financial numbers of the company unless you ask accounting, or not knowing about people unless you ask HR, will end with digitalization. If all employees tamp the terminal, they can get all the necessary information. The question is how to make use of that information. That's what it means that we are moving to an era of concept, empathy, and sensibility. It's not the era when the company managed and controlled people as needed. The company will become to be just a platform to fully demonstrate the employee's individuality and abilities. →

Since the governance reform in recent years, it has been exposed to the pressure of globally connected capital markets, and the company's challenges have been highlighted from all angles, and various initiatives and their disclosures have been enforced. On the other hand, what about the people who work? People has been placed in an environment where they are not required to think spontaneously for a long time, such as collective recruitment of new graduates, new employee training provided to everyone, training by hierarchy, uniform salary system withholding tax system, and a notice of change in location under which you have to move without family. People in our generation have been told as "If you graduate from university and join a company, you only need to do about that company. You don't need to be interested in society or politics. Rather, if you are interested in such things, it should adversely affect your promotion". Company is a word that reverses the word society in Japanese. it is exactly the opposite in meaning. Parents say things like "You'll have a hard time if you go out to the society after graduate" while your child is a student, but in fact, parents do not live in the society but only in the company. As long as you enter the special environment of the company, you don't have to go out into society. That's why people get depressed when they are suddenly told to go out into society after the age of 50 years old. (It is very common in Japan, around the age of 50, that employees are suggested to think about the 2nd life by the Company.)

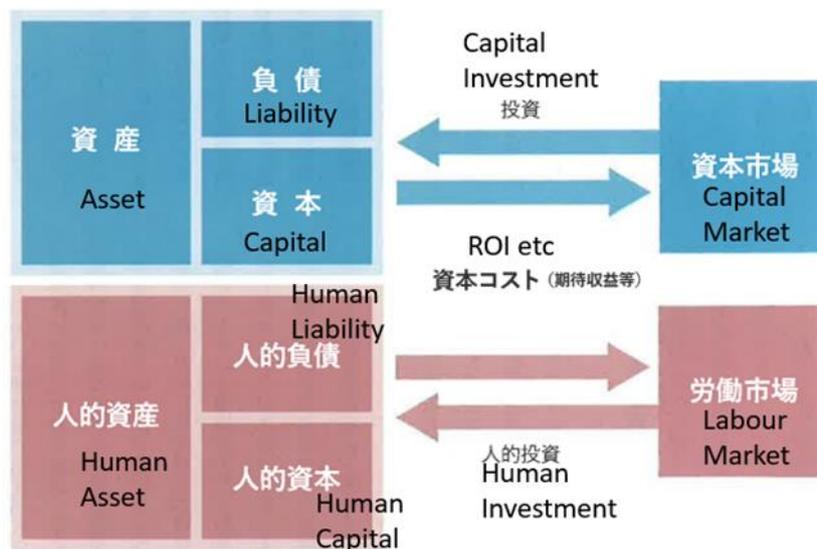
However, this era is gradually changing. Due to the sudden COVID19 disaster three years ago, remote work started everywhere, and attention came to focus more in home and local communities, essential part of our lives. Opportunities to see the company objectively have also increased. I think the trend of the SDGs has been accelerated by the excessive distortion of capitalism also through this COVID disaster. Even if it is the era when the individual plays the leading role, the individual who does not wake up spontaneously will never be the protagonist. Only those who position themselves as capitalists or creditors and grow with their own responsibilities and efforts can be the protagonists.

The role of CFO and CHRO

Well, by positioning human capital, human assets and human liabilities just same as CFO (Chief Financial Officer) is responsible for the balance sheet, you may realize that CHRO (Chief Human Resources Officer) should be responsible for the management of the Human resource balance sheet which you can see the red part of Chart 6-6. Just same as CFO formulating financial strategies and financial policies and manage the entire balance sheet such as capital allocation and capital cost reduction in order to optimize the business portfolio, in order to optimize the human resource portfolio, CHRO's job is to manage the "human balance sheet" that formulates human resources strategies and human resources policies and reduces the cost of human capital.

Therefore, human capital management is an integrated corporate management that regards people as debt, capital, and assets just same in the case of finance.

Chart 6-6



Conclusion : A fusion of balance sheets and human balance sheets

By accounting the concept of human capital, it becomes clear that individuals, not companies, are the protagonists of society. If the individual is not the protagonist, maybe some political or company problems may exist, but the individual's consciousness and effort could be a route cause.

However, there are many people who don't like to compare people to accounting. At the beginning, I said that there was a sense of discomfort with the word human capital, but it is certain that there is not only because it is not understandable the meaning in terms of accounting, but also because of rejective reactions to imitating people as capital in the first place. This may come from the idea that people are not the target of investment and do not exist to make money.

They may think such as, company management has been imposed many challenges due to the demands of investors in the globalizing capital market, in addition to this, why people will

have to be teased for the return of investment. In fact, there are many people in charge of human resources who have a strong pride that corporate management is not for investors, and that human resources measures are not changed according to the demands of investors. human capital, I am sure that you'll be beaten if you say human debt, since even human capital is not acceptable for them.

However, this word, which was born from the interest of investors called human capital, instead of just having such dissenting prejudice, by going through accounting concepts, can be the key word toward the era in which individual who seriously thinks about his life and grows into an independent existence are playing the leading role.

Human capital management for human restoration

By the way, capital and human capital can be well integrated. As you know, mechanisms such as employee stock holding associations and stock options also have the effect of aligning the expectations of shareholders with the direction of the company. However, what I would like to introduce here is Gunze at the time of its founding.

Mr. Tsuruyoshi Hatano, the founder of Gunze in the Meiji period, created a regional revitalization model by looking at the reality of local sericulture farmers suffering from the poverty. He hired children of sericulture farmers as workers and make their parents to be shareholders for the company with a small stock price. Moreover, the founder went to collect instalment payment every month. He strived to improve the quality of sericulture, promised to purchase cocoons from farmers as high price as possible, and provided education to the workers. He was told by the people around him that it was more like a school than a factory, and surprisingly, he created an education department on top of the sales department. As a Japanese-style management system, this is not a "family management" which has a bad reputation recently, but "local society management".

Not only integrating human capital and capital through the family, but also human capital and human assets were fused through education, and ultimately financial assets were also integrated with human assets and human capital through purchase. At first glance, it may look like the recent financial methods such as microfinance and crowdfunding, but the big difference is not just an efficient and effective scheme, but his idea of human capital management that started from human love. His outstanding conceptual power and execution ability that has already incorporated a social perspective into the management model in the Meiji period and achieved the revival of the local community while using the stock company system could be a great hint for modern corporate management that seems to follow the American-style capitalism and management style. Isn't the essence of human capital management only with this idea of human restoration?

The above is a personal view and only one interpretation. " I hope this could be an opportunity or inviting water for various ideas and opinions about "human capital" to come out.