

# The Daiwa Securities Group and Sustainability

## ■ The role of a securities business is to support the smooth flow of funds between businesses and investors by bringing them together

The term finance, in its simplest sense, means making money available to people. Finance involves those who have funds to spare (individuals or businesses) making those monies available to those who have a shortage of funds (usually businesses and governments). Finance can take either the form of direct finance, in which a business or government procures funds directly from certain investors, or indirect finance, in which a business or government borrows funds through a financial institution such as a bank. The negotiable securities handled by a securities company are a means of conducting direct finance.

Negotiable securities represent a means for businesses to procure necessary funds and for investors to manage their funds. Negotiable securities include stocks, bonds, and investment trusts (also called "mutual funds"). Businesses issue stocks to raise capital for their operations. People who respond to the appeal of a business receive shares (stock certificates) from the business as proof of their investment of money and thereby become shareholders. A bond is one type of document of obligation (an IOU) issued by public institutions or businesses to borrow funds. An investment trust is an arrangement where a professional manages a sum of money belonging to a number of investors. Investors can receive dividends or interest as compensation for their investment in these negotiable securities.

When an investor buys or sells stocks, a securities company acts as an agent to carry out the trade at the securities exchange. Investors can also buy or sell bonds and investment trusts through a securities company.

At the same time, a securities company also helps businesses and organizations raise needed funds. For example, a securities company handles the procedures required to offer the stock of an unlisted company to the public and to increase the capital of publicly-traded companies.

Thus, the role of a securities company is to help investors build their assets by serving as a transaction agent in the buying and selling of securities, and to help businesses, public institutions, and other organizations raise needed funds. This is how a securities company supports the smooth supply of funds in society by bringing business and investors together.

### Daiwa Securities Group Corporate Principles

(established March 1998)

#### Customer trust

We stand on the trust of our customers. Prudently putting customer interests first and achieving a high standard of professional competence, we intend to become Japan's most appealing securities group at home and abroad.

#### Human values

People are the source of our competence. We highly value creative initiative by the individual, we cherish the challenging spirit, and appreciate the capability and contributions of the individual.

#### Total compliance

We can be proud and prosper only when we achieve total compliance and gain the trust of our customers, our market and of our world society. We will maintain high standards of professional ethics and a fair code of conduct, thereby contributing to the development of our society.

#### Sound profit

Our fundamental objective is to enhance shareholder value through sound business operations. We will offer valuable services to our customers and earn adequate rewards for distribution to our shareholders.

## ■ The role of financial institutions in building a sustainable society

Capitalism, which is supported by this financial structure, has brought about the economic development of modern society. On the flip side, however, attention is also coming to focus on the negative phenomena produced by business activities that pursue economic gain alone under the aegis of globalism and the capitalist economy, such as environmental destruction on a global scale and the expanding gap between the rich and poor. The global society is facing challenges to its present course as a result of these types of business activities.

The concept of sustainability derives from the idea of sustainable development articulated in "Our Common Future," a report published in 1987 by the United Nations' World Commission on Environment and Development, commonly known as the Brundtland Commission. The Brundtland Commission defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." Achieving sustainable development requires that all actors on Earth must, in consideration of future generations, behave in accordance with principles that promote co-existence and shared prosperity.

The present economic system is the greatest factor underlying the apprehensions about sustainability. The lifeblood of that economic system is money, so in that sense, money has the potential to ruin the sustainability of society. On the other hand, however, money is also the key to solving a variety of problems that might affect sustainability. For that reason, financial institutions, which handle money, can play a significant role in terms of encouraging sustainability. That role would be to integrate a social perspective into the process of finance in order to help channel money in a manner that leads to solutions for sustainability problems.

### UNEP Statement by Financial Institutions on the Environment and Sustainable Development (Signed November 26, 2004)

We members of the financial services industry recognize that sustainable development depends upon a positive interaction between economic and social development, and environmental protection, to balance the interests of this and future generations. We further recognize that sustainable development is the collective responsibility of government, business, and individuals. We are committed to working cooperatively with these sectors within the framework of market mechanisms toward common environmental goals...



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■ **Contributing to sound economic and social development through our core business**

As a financial institution working at the center of the economic world, the Daiwa Securities Group sees contributing to sound economic and social development through its everyday business as its most important corporate social responsibility (CSR). To that end, the Group is currently focusing on two areas.

The first is the popularization and promotion of socially responsible investment (SRI) in Japanese society. SRI supports the building of a sustainable society by investing proactively in companies that are working to solve societal issues and companies that are honest with their stakeholders. In November 2004, we joined the United Nations Environmental Programme Finance Initiative (UNEP FI) and signed UNEP Statement by Financial Institutions on the Environment and Sustainable Development in a move to cooperate with other financial institutions in further promoting SRI.

The second is educational and research activities in the field of economics and finance designed to foster a broad investor base and bolster development of the capital market. Our objective is to invigorate the financial and securities markets in order to contribute to revitalization of the Japanese economy. We will promote this by helping investors and the general public, especially young people, to acquire accurate knowledge of economics and finance.

The Daiwa Securities Group will push ahead with these two initiatives based on its Corporate Principles and its commitment to earning the trust of stakeholders.

■ **Issues facing the Daiwa Securities Group**

Moving these initiatives forward, however, is not an easy matter. The Daiwa Securities Group has a number of issues that it needs to overcome. Our first and biggest challenge is to promote a CSR mentality and communicate the significance of these initiatives to all employees. At present, we cannot say that all our employees fully understand key ideas such as the significance of SRI and the importance of Economic and Financial education. Moreover, we have only just begun to build a CSR promotion system and environmental management system.

There are no textbooks on initiatives for achieving sustainability. We will, therefore, venture forward in a spirit of exploration and experimentation, and will always keep our internal and external stakeholders informed by describing our progress in this *Sustainability Report*. Our management is determined to continue to improve the Group's sustainability initiatives by listening to the viewpoints and suggestions of our stakeholders.

**Daiwa Securities Group stakeholders**



**Customers**

We will raise customer satisfaction by providing better products and services, responding sincerely to customer feedback and understanding customer needs.

**Employees**

We will build work environments that enable employees to feel a sense of fulfillment, pride, and satisfaction in their work and enthusiastically demonstrate their abilities.

**Stakeholders and investors**

We will earn trust by disclosing information in a highly transparent manner and meet expectations by continuously creating value.

**Local communities**

We regard our corporate citizenship activities as an investment in society, and will contribute to the development of communities primarily in the field of economic and financial education.

**NPOs and NGOs**

We will not only provide monetary support, but also use our knowledge and expertise to collaborate with NPOs and NGOs. We will reflect the values of society in our management by proactively engaging in dialogue and collaborating with NPOs and NGOs.