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### 1. Introduction

This third-party opinion was created at the request of the Daiwa Securities Group, after witnessing the report-production process. The purpose of this third-party opinion is to, by witnessing the production process, (1) express my opinion on the credibility of the information in the report, and (2) express my opinion on the CSR activities of the Daiwa Securities Group. For this purpose I attended a total of 44 hours of interviews, discussions, and the like concerning this report over 11 days during the period from April 10, 2007 to August 3, 2007, asking additional questions and receiving briefings as needed.

### 2. Opinion concerning the credibility of the information

Although the third-party opinion on the credibility of information by certified public accountants usually means an assurance mainly focusing on accuracy of data, this statement does not provide an assurance in this sense. In fact, in cases like Daiwa Securities Group, where many of its CSR activities are difficult to quantify, I believe it is more important to focus on whether the textual content reflects the actual situation. The textual portions that are not under the direct control of the CSR Promotion Department (which produces the report) are created mainly based on interviews and discussions with relevant departments. On this point, it is my belief that in cases where I was present, the content of interviews or discussions is accurately reflected in the report, and in this sense, the content of the report is credible\*.

\* ►  Contents relating to discussions/interviews which Mr. Mizuguchi attended.

### 3. Opinion concerning CSR activities

#### (1) CSR promotion system

I felt that the production process of this report, which is based on interviews with relevant departments, symbolically expresses the distinctive properties of the CSR promotion system of the Daiwa Securities Group. Rather than having a specific department centrally control environmental issues, employees, compliance, corporate governance, and the rest of a wide range of CSR activities, each relevant department is responsible for its own initiatives, and the sum of these initiatives makes up Daiwa Securities Group's CSR. Given the multifaceted nature of CSR, this approach is a natural one. The annual interviews for the creation of this report are an opportunity to track progress on CSR in each department. In this instance, however, I believe that there were some items listed as key issues which require cross-departmental cooperation. I believe that a future challenge will be to

establish a system for advancing initiatives relating to key issues at the organizational level, beyond the bounds of individual departments and divisions.

#### (2) Attitude toward employees

As clearly expressed in the message from the president, the attitude of valuing employees is strong. This attitude is commendable, because the company's attitude is not just as a title, but is realized through a number of specific programs, including the program for converting temporary employees to full-time employees, programs to encourage and support women, and the creation of a Mental Health Support Promotion Department. Employee relations is not only a CSR item itself, but also the foundation of all CSR. This is because nearly all CSR items, be it compliance or customer satisfaction, depend on the awareness and actions of each employee. In this sense as well, this attitude of emphasizing employees is on the mark.

As someone from outside the industry, I was somewhat uncomfortable at the company's remuneration system, where there is a significant disparity in remuneration depending on performance expressed by numbers, but perhaps this falls within accepted norms in the industry. I believe that this system must be operated with balance, because if it is taken too far, it could harm the three values that the company prizes: confidence, pride, and solidarity.

#### (3) Adding a social perspective to investment

Defining four key issues represents a major step forward in Daiwa Securities Group's reporting. Although each of these issues is highly important, the statement that commitments to "adding a social perspective to investment" and "the creation of monetary flows that will help achieve a sustainable society" are "an important duty to society through [financial institutions'] main business: finance" is of great significance. The fact that lots of positive opinions were expressed in unscripted discussions and interviews is extremely impressive. A future challenge may be to increase collaboration between departments, and incorporate this into the organizational strategy, rather than stopping at the individual level. Naturally, the Daiwa Securities Group deals with individual and institutional investors, and these are issues that society as a whole must grapple with, but I hope to see even more leadership from the Daiwa Securities Group. To use cars as an example, both developing fuel-cell and electric cars on the one hand, and improving the fuel efficiency of ordinary cars on the other are important for environmental conservation. In the same way, SRI funds and incorporating as much of a social perspective as possible in all investment are both important for investment. What will make this possible? I believe that the true battle is yet to come.

### 4. Conclusions

Incorporating outsiders into the report-production process for the purpose of a third-party opinion is an attempt to increase transparency. It also has great significance when considering the desiderata for third-party opinions. Adding to this the idea that the report-production process doubles as a CSR-activity review process, I believe that this method has the potential for even greater development.



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A survey of report readers by the NTT-group portal site *KANKYO goo* showed that for many years, work-life balance has been the topic of greatest interest. Most of companies, however, do not have a high level of recognition of the necessity to disclose information in this area. Given this general state of affairs, I thus felt it wonderful that the president spoke at such length about the employees, and women in particular, continuing the trend set last year. I interpreted the facts that utilization of each of the Group's programs has increased, and the utilization of paid vacation has also steadily increased, as demonstrations that the Group's policies and systems have become firmly established.

Although the fact that the process for identifying material issues is explained is pioneering, it would be even better if it was a little more detailed. In Material Issue 1, under "adding a social perspective to investment," the perception is expressed that "...Japan has the world's highest level of environmental technology." Although this is inevitable, since Japanese politicians, government officials, and even industry have expressed this perception, this does not necessarily make it true.

The significance of the certain level of agreement reached at the G8 summit in Heiligendamm to reduce greenhouse gasses by 50% worldwide by 2050 is great in this sense. This shows that world leading politicians have settled the scientific debate over the theory that global warming is caused by humans, and that those politicians have been forced to recognize that business as usual could threaten the extinction of the human race. It is claimed that efforts to avoid global warming over the next 10 to 15 years will be key. I believe that if a worldwide reduction of 50% is needed, a reduction of less than 80 to 90% by Japan would be unacceptable to the rest of the world. The "Sustainability Revolution" entails a major upheaval in our civilization, surpassed only by the upheavals of the agricultural and industrial revolutions. I believe that it is vital to study and obtain accurate information about each company individually, to determine whether it is boldly pursuing radical innovation and a new business model, and determine whether it is truly operating at a high level, and to then utilize this information. I believe that companies that are not committed to this issue will not be in existence 10 years from now. Although I am pleased at Daiwa Securities Group's honesty in writing that its work to promote these efforts in its main business is still lacking, I want to make it clear to all that this is the true key to CSR in the finance industry.

The fact that Daiwa Securities Group has greatly reduced its paper usage by changing to electronic statements and other facts show that its

environmental efforts are becoming more effective, and that it has gained a strong awareness of the need to reduce its environmental impacts. The Group is creating its own environmental management systems, rather than utilizing existing environmental management systems, such as ISO 14001 or Eco Action 21. However, we, people outside of the company, can not see well this mechanism. I think the Group should make its environmental management systems more transparent, clearly disclosing its environmental policies, goals, targets, action plans, and the like. When the Group does this, I recommend that it also mentions biodiversity, as I also advised last year. Speaking globally, one major American NGO has identified 34 hot spots for biodiversity around the world, and the Japanese archipelago as a whole has been identified as one of these hot spots. There is a high probability that the Conference of the Convention on Biological Diversity (COP10) will be held in Nagoya, Japan in 2010, and this will be a conference that focuses a great deal about the private sector's initiatives. We are currently living in what has been called the Sixth major Mass Extinction, and I believe that providing information on biodiversity in the Japanese archipelago, which is the focus of intense attention by the rest of the world, as well providing information throughout the world, will be a good opportunity for companies to enhance their reputations.

I think it is excellent that the Group has continued to improve its report. The Group has made progress in its report in including negative information, and utilizing the website as I suggested, and it also included more information about the "check" and "act" phases of the P-D-C-A cycle, which I remarked on last year.

However, there is still room for improvement, in that there is still a large amount of qualitative content. Efforts to quantify key issues are also necessary for improving reliability. If including more detailed numerical data would hinder readability, then the Group could utilize the website.

Incidentally, how is the Group's progress on drawing up its corporate governance charter and voluntary code of conducts? I believe that an explanation of the situation is required, since the Group has already announced that it would create them.

Although I conjecture that its many financial literacy efforts or the fact that the Group placed photos of the babies of its employees on the front and back covers are to express its passionate commitment to the coming generations, I think the Group should emphasize the next generation a bit more in words as well. That is what a true "Sustainability Report" is all about.