

## Third-party Opinions



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### 1. Introduction

I wrote this third-party opinion at the request of the Daiwa Securities Group after observing the report-production process. This time, I focused on “adding a social perspective to investing,” which was identified as Material Issue 1 in this report, and starting from April 8, 2008 I spent more than 11 hours attending meetings with the departments concerned and participating in question-and-answer sessions. Together with the writer of the third-party opinion on “respect for people and human resource utilization” (see p. 42), the fact that the company offered access to outsiders for considerable lengths of time and allowed us to be involved in reviewing CSR activities themselves is an important initiative for heightening transparency. Another sign of progress over 2007 is that the company solicited the opinions of several third parties in different areas of specialization.

### 2. Reliability of Information

Ensuring the reliability of information through the third-party opinions of certified public accountants or auditing firms generally refers to assurance of the accuracy of numerical data; my opinion is not an assurance in the same sense. I believe that progress in “adding a social perspective to investment” should be measured by the degree of commitment of the Group’s employees, as President and CEO Shigeharu Suzuki touches upon in his message at the beginning of this report, rather than by dry facts and figures about the sale of bonds and funds. This is certainly the element that is the most difficult to verify, but as far as I can tell from the people I met, I believe that they were truly committed. In that sense, this report accurately details the attitude of those working on the front lines.

### 3. CSR Activities

#### (a) Appropriateness of goal-setting

As the starting point for CSR activities, it is important to correctly identify the issues that matter most to the company in question. In the case of the Daiwa Securities Group, focusing on “adding a social perspective to investment” as a material issue is very appropriate. There cannot be any solutions to global problems such as climate change or poverty unless there is a fundamental change in the market economy sys-

tem. The dual system where the markets pursue efficiency and governments ensure fairness is no longer effective for solving problems, and a shared global awareness is beginning to emerge among market players that their behavior must take society and the environment into consideration. In conjunction with this, the social role of securities companies will certainly change, and the present time is probably a transition period. In terms of being forward-looking in dealing with these changes, I believe that Daiwa has identified the issue appropriately.

#### (b) CSR promotion system

I am very impressed by the leadership shown by the key persons promoting investment from a social perspective. The Group’s enhanced research structure also deserves praise. It is also clear that the departments concerned are in the process of establishing good coordination. The points and lines have been drawn, but has the “big picture” been filled in? In other words, I believe that the PDCA cycle is working to a certain extent in individual departments, but it’s hard to see Group-wide PDCA in action beyond individual undertakings. If that were made clear, it would be possible to evaluate progress made and what still needs to be done.

#### (c) Implementation activities

In addition to the offering of the Daiwa Eco Fund and the Daiwa SRI Fund, the Daiwa Securities Group meets expectations by coming up with new ideas and offering a range of choices, such as the Russell Global Environmental Technology Fund, vaccine bonds, the World CO2L (Cool) Bond and others. I think that the idea planted by the UN’s Principles for Responsible Investment (PRI) was that all investment behavior should show concern for society and the environment. I hope that together with developing leading-edge financial products with a social perspective, Daiwa will also create a methodology for incorporating some consideration of society and the environment into all investment.

#### (d) Conclusion

No securities company can add a social perspective to investment working by itself. The parties providing the funds, especially institutional investors with large amounts of money, should act responsibly, and I think it’s also necessary for the government to establish a certain framework. If that is the case, I believe that securities companies, as specialists in their field, have an important role to play in lobbying institutional investors and governments to make this system a reality. This report mentions that Daiwa’s communication activities include policy recommendations. Adding a social perspective to investing is an issue that certainly needs policy recommendations made on its behalf, and I hope that Daiwa will demonstrate the required leadership.



## Sanae Hara

Representative  
Kinyu Ombudsnet

If a corporation's financial statements are its skeleton, its sustainability report is its flesh and blood, the face it presents to the world. The Daiwa Securities Group's report, with its photos of sweetly smiling infants on the cover, draws the eye. The future of these children, after all, depends on sustainability.

Daiwa's 2008 sustainability report begins with a very personal message from President and CEO Shigeharu Suzuki.

The major focus of my third-party opinion is whether Daiwa has met its goals in the four areas it has identified as material issues.

### 1. Adding a Social Perspective to Investment

One major initiative in this direction this year is the start of sales of vaccine bonds, through which Daiwa contributes to raising funds for vaccinations through the International Finance Facility for Immunization (IFFIm) public-private partnership. Even though denominated in South African rands, these bonds are selling well. Daiwa also sells the Russell Global Environmental Technology Fund. Daiwa deserves credit for these clear first steps on the road to investment with a social perspective.

This initiative is also held in positive regard by society. But although I can identify with the importance of investing from a social perspective, the question of whether the SRI products that Daiwa sells are good products from a financial viewpoint is a different issue. It is also essential to train people within the company in the necessary expertise. I would like to see more information on these background factors in Daiwa's sustainability report. My impression is that only a minimum of such information has been provided to describe emissions trading.

The Daiwa SRI Fund Assistance Program, while small in scale, is an interesting experiment. This program provides funding for training staff in NPOs involved in activities relating to life and human dignity.

### 2. Commitment to the Development of a Sound Securities Market

This issue relates to the health of the core business of securities companies. This report describes the measures implemented by Daiwa to meet the requirements of the Financial Instruments and Exchange Law which went into effect in September 2007. It further communicates the message that the Sales Department and the Compliance Department are working together

to enhance internal control, but few concrete details are provided as to what they have actually done.

I also noted that consumers were not included among stakeholders, and I hope that Daiwa will give this point further thought. I would like to know how Daiwa positions its Call Center and its handling of consumer complaints or requests for advice within the context of commitment to the development of a sound securities market.

### 3. Contributing to the Global Environment

Daiwa has made eye-opening progress with the shift in its business model to IT and paperless systems. The company said it wants to demonstrate a model case in solving resources issues, and I hope it will do so.

The information about the Daiwa CI Biodiversity Conservation Fund, funded by a part of Daiwa's profit earned from the sale and management of the Daiwa Eco Fund, should be highlighted much more prominently in this report. Contributing to the global environment is also connected with adding a social perspective to investment.

### 4. Communicating Information for a Sustainable Society

This report describes Daiwa's economics and finance education initiatives, its policy recommendations and other communication activities, but information on this topic should be expanded overall. The core of this type of communication of information for a sustainable society should be initiatives regarding disclosure, such as in the Management Report, and Daiwa should communicate this information to society through its website and sustainability report.

Further improvements are needed concerning CSR issues/performance and targets, which are evaluated solely from the company's perspective. The second half of this report carries management, social, environmental and economic reports; this information overlaps with that in the report's first half. I hope that Daiwa will focus more closely on respect for people and utilization of human resources from now on. The Daiwa Group has begun taking active initiatives regarding temporary workers, work-life balance and other issues, and its actions in these areas should be emphasized more prominently.

I hope that Daiwa will improve its ability to communicate information to society in the future.