



In January 2010, the Daiwa Securities Group signed the UN Global Compact.* We took the opportunity to seek input on how we might take our commitment to CSR activities to the next level, asking experts in the field to join us for a discussion on 15 March 2010 about our past, present, and future social obligations as a financial institution.

* The UN Global Compact was established in 2000 under the UN Secretariat after an initiative launched in 1999 by former Secretary General Kofi Annan. The membership consists of global corporate leaders who are expected to align their business practices with ten principles in the fields of human rights, labor, environment, and anti-corruption in their business activities, in partnership with UN agencies, labor, and civil society.



Toshio Arima

Executive Corporate Advisor, Fuji Xerox Co., Ltd., member of the United Nations Global Compact Board, and Chairman, Global Compact Board Japan



One Akiyama

President, Integrex Inc.



Masaki Shimazu

Deputy President
Head of Administration Division
Daiwa Securities Co., Ltd.
(At time of dialogue: Representative Senior Managing Director)



Takatoshi Wakabayashi

Senior Managing Director
Chief Internal Administration Supervisor
Daiwa Securities Capital Markets Co., Ltd.
(At time of dialogue: Managing Director)



Keiko Uehara

Corporate Executive Officer
Daiwa Securities Group Inc.

Applying lessons learned in the financial crisis to build a sustainable society

Shimazu: I think that the recent financial crisis was primarily due to the fact that financial institutions lost sight of their social mission and ran their businesses with the goal of making money as quickly as they could. So for me, the financial crisis is an opportunity to rethink financial institutions' social mission and role, and to learn a lesson. It really made me realize that financial institutions are actually public institutions. Financial institutions in particular need to demonstrate a social commitment. This renewed my conviction that securities firms

must fulfill their role as intermediaries linking investors with other investors and investors with companies, and must understand their role as intermediaries and feel a sense of mission in their responsibilities in arranging direct financing.

Akiyama: I spent more than 10 years working on Wall Street, and I agree completely with Mr. Shimazu. This financial crisis was an accident waiting to happen. Until now, Wall Street has focused on the short term and only pursued short-term profits, and this was a mistake, I think. Finance plays a role in building society, so it is

important to look at its role from the point of view of sustainability.

Shimazu: I believe that the main role of companies is to generate sound profits, pay taxes and employ lots of people. Maximizing profits is not the sole objective. Companies must understand that their mission is to give back to society through their business by serving as intermediaries and playing a public role. Since our industry handles money, this sense of mission must be even stronger than in general companies. I am responsible for compliance, and I am convinced that principles and beliefs are more important than mere compliance, simply observing laws. We call our core principles the

"Daiwa Spirit," which we developed in April 2008 to familiarize employees with our corporate philosophy. Every employee carries a copy of it.

Arima: For many years, I have worked with Fuji Xerox, where corporate principles are seen as an integral part of management itself. I am very impressed with what Mr. Shimazu describes—clarifying the importance of giving back to society through business, and establishing principles as the backbone of this commitment. The financial crisis is certainly an opportunity to take another look at management fundamentals and to reconfirm that companies must serve the broader society.

Global Compact a way for Daiwa to raise awareness in Japan and forge ties with global leaders

Arima: Companies give back by helping to resolve society's various problems through their businesses. My company is in manufacturing, so we deal with a vast number of suppliers, partners and other companies. By working together in activities such as CSR procurement, we can have an effect many times greater than that of a single company paying taxes. The financial industry provides companies with capital and acts as brokers for investors, so its impact is even stronger than anything we manufacturers can do. This is really tremendous. The Global Compact is based on the notion that the UN joins forces with companies, and companies use their great strength to resolve social problems.

Uehara: The Daiwa Securities Group signed the Global Compact in January 2010. The ideas behind the Global Compact are identical to our corporate philosophy, so it seemed a natural fit. By declaring to the outside world our intention to be involved in this effort, I think we have an even greater responsibility to society, and have committed ourselves to taking on new challenges and moving forward constantly.

Wakabayashi: The Global Compact's compatibility with our corporate philosophy made it very easy for us to participate. I would like to raise awareness in Japan by publicizing our reasons for joining, with the expectation that this trend in Japanese society will gain strength and stronger global ties will result. Our core business is raising

money, so we must develop products that create mechanisms to provide money to those places in the world that need money but can't get it. This is certainly a way of giving back to society, and all of our employees want to be involved in this kind of work.

Akiyama: The financial industry can play a huge role in changing society for the better by determining where the money goes. There is an extremely important role for finance to play in solving global problems such as environmental issues and poverty.

Arima: The Global Compact argues for the importance of partnerships. This has several meanings, but it also means partnerships between the United Nations and the private sector. In particular, I expect that finance can indirectly support improvements in the situation of the most vulnerable—people who suffer from poverty, health problems, and gender discrimination. I think that the Daiwa Securities Group has already been providing some of this support, but I expect to see even more things done.

Akiyama: In the US and Europe, financial institutions engage in various partnership initiatives, sometimes with the UN, and they also have submitted many proposals to their respective governments. However, that sort of partnership activity by financial institutions has not functioned well in Japan, so I hope the

Daiwa Securities Group will take the lead in that regard. Partnership also has other meanings. A life insurance company in Europe decided that it would not invest in companies involved in cluster bombs, but if only one company decides not to make such investments, other companies will take their place, and the first company simply loses out. So it is very hard to act alone. However, if companies form partnerships and have the same aim in deciding on which companies they won't invest in, companies engaged in anti-social activities won't be able to attract any investment, and the companies in the partnership can protect their mutual interests.

Wakabayashi: I think it is important that partnerships between financial institutions use public meetings and councils based around associations and take every opportunity to make their appeals. However, Japanese are not very good at expressing themselves in informal ways, so we probably need to develop a system to

overcome this.

Shimazu: Other financial institutions in Japan are interested in our microfinance initiatives. I think that we approach this with an interest in acting together, rather than competing. We have to take responsibility as the forerunners here and show leadership.

Arima: For example, in the case of the United Nations' Principles for Responsible Investment (PRI), which 700 companies around the world have joined, the top management signs the principles and thus makes a clear commitment, so this is a good option for a parent organization under which financial institutions could form partnerships. The Global Compact has leadership summits bringing together corporate executives and sectional meetings in which the member companies divide into groups to discuss individual issues, but unfortunately very few Japanese companies participate in this. I would like to see more participation in such forums.

Key Issue 1

Leveraging Financial Capabilities to Contribute to a Sustainable Society

Financial products that employees and customers can feel proud of are the key to changing both the company and the broader society

Uehara: At Daiwa, one of our major objectives is to offer decent products that contribute to a sustainable society. Selling Microfinance Bonds and Vaccine Bonds has meant a lot for both customers and employees as it is easy for them to see how these products benefit society.

Shimazu: There have been few means by which customers can contribute to developing countries. So I think they would be quite pleased to find products that can be used to give back in this way.

Wakabayashi: People are generally altruistic—they want to contribute to society. I think that it's our job to produce innovative products that reflect their good will, and in a timely fashion.

Shimazu: This would also have a good influence on employees. Feeling a sense of pride in one's work and finding challenges is the most important thing in working at a financial institution. Products that can resolve social issues give one's work a significance beyond financial success, and make it easy for employees to feel a sense of pride in their work.

The broader the significance of their work, the more motivated they are.

Uehara: The employees creating products on the front line begin to work on these products on their own initiative. A top-down system tends to result in vertical divisions, but this kind of product is perfect for collaboration across divisions. I have found that everyone working on these initiatives is highly motivated.

Akiyama: A good product can change an entire company. You feel pride in your work when a product also pleases the customer. Employees concerned about various issues sometimes assume that their own work can't do anything to resolve those problems. But once they actually succeed in developing a product, their motivation will also rise.

Arima: Employees easily gain understanding when you have good stories about doing the right thing for the right reasons and acting in line with the corporate philosophy. Customers get funding from financial institutions, and then their activities generate CO₂. It should be possible to

calculate the effect and make an assessment over the lifecycle of the project being financed. We could have enough traction to cut CO₂ by 25%.

Shimazu: As you mentioned, effectiveness is very important. We are motivated when we aren't just investing, but understand the entire project, down to how the money is used.

Akiyama: I think that the "R" in CSR ought

to stand for "respect," not the mere duty of "responsibility." It's not the responsibilities we have to fulfill, but the aspiration we respect. I envision the future of CSR as one in which everyone wants to help society, and this aspiration spreads from the corporate sector into the community, always with respect for this aspiration.

Key Issue 2

Developing Sound Financial and Capital Markets for the Next Generation

Educate on the role of finance, not on money-making

Constant effort needed to raise awareness

Shimazu: Another major objective at Daiwa is to develop sound financial and capital markets to pass on to future generations. I think that this is our true mission, and we think the best way to realize it is through education.

Uehara: We have formed a partnership with Junior Achievement Japan, a group that educates youth about economics, and are pursuing educational initiatives together. We also have unique programs that educate teachers. This program prepares original teaching materials. Teachers use these to teach about the economy. I think it's really revolutionary.

Arima: Even measures related to education derived from the Global Compact encourage CSR, and business schools are now incorporating environmental, social, and governance issues into their curriculums. I think it is extremely important to include CSR topics in education.

Akiyama: Unfortunately, in Japan, money has a bad reputation for being "dirty." The key, thus, is to find ways to shed a positive light on decent ways of making and using money. With that in mind, I hope your efforts will focus on helping people understand the role and basic concepts of finance.

Shimazu: Just as you mentioned, we have to teach not how to invest, but what finance can be used for. We can't just think about making money—we

have to also think about where money is really needed and how we can get it there.

Wakabayashi: I think of money as being a means for people to realize their ideals and their objectives. It is important that we value people in this process. We should work for the organizations and economic society that is our goal, without turning people into a means to an end. I have always thought that this is where we will find a better society and our truest course.

In terms of developing sound financial and capital markets, where do we discover and establish economic value in our work in the market? We have to continue bringing a socially useful and much-needed set of values to the market. To do this, we have to continue publishing information, materials and reports that will create an economically aware society.

Akiyama: I think this is very important. We have to shine a light on areas that have thus far been in the dark, and introduce them to the market. This reminds me of your Vaccine Bonds and Microfinance Bonds. The Daiwa Securities Group should not restrict itself to existing products or products that only exist in the Japanese market, but should expand its view to encompass the whole world, and carry such activities into the future.

Sustainable corporate growth impossible without work-life balance

Arima: "CSR is a core part of management" means good working conditions viewed from the employee's perspective. I am personally very interested in the diverse ways people can work today. The term "work-life balance" usually focuses on maternity leave and nursing care, but it really has a wider meaning. I feel that we should aim at higher productivity at "work" in balance with a happier "life." With the aim of creating a range of working styles, we must extend practices such as telecommuting throughout Japan.

Shimazu: Every company touts its work-life balance policies these days. However, I am confident that we are the absolute best in terms of how seriously we take treating our employees well. Financial firms typically require brutal work hours, so encouraging people to leave before 7:00 p.m. is nothing short of revolutionary. By leaving work before 7:00 p.m. and taking paid vacation, employees have time to spend with their families and the greater community, which naturally fosters positive desires and encourages a CSR mindset. I think that working hard during these working hours actually raises efficiency and that individuals will then be more interested in giving back to the community.

Uehara: Simply sitting at a desk and only interacting with other employees restricts the number of hints we receive on how to improve. We can only identify the world's needs when we're out in the world ourselves. In this sense, work-life balance is actually a very good thing for raising the quality of work and for collecting information, and is an essential ingredient in corporate growth.

Akiyama: Judging from what I see at the Daiwa Securities Group, the commitment of top management is very important, and this makes me realize that a true commitment can really change a company. Women are usually the subject of focus when the issue of work-life balance comes up, but I think men need to reconsider their lifestyles, too. Although it is important to create various programs, companies have to monitor their effect and fix what needs improving. I expect employers to use the plan-do-check-action (PDCA) cycle to make steady improvements.

Uehara: It is true that we haven't yet verified the effect of these programs with the CA part of PDCA. We should closely monitor the results of the programs as we carry them out. Thank you very much for sharing your valuable opinions today.