

Daiwa Securities Group CSR

Key Issue 1

Leveraging Financial Capabilities to Contribute to a Sustainable Society



Approach and Basic Stance

The world we live in is facing a host of pressing issues that threaten its very sustainability, ranging from environmental challenges-most notably climate change-to the growing gap between rich and poor. In times like these, companies are called upon to work in the greater society's interest and not merely pursue profit based on market principles. In that regard, the financial sector is uniquely positioned to support initiatives for social change. That is why the Daiwa Securities Group develops and sells Impact Investment\* vehicles. These products offer our investors a clear way to make a difference and channel funds toward solutions to society's challenges.

\* Investment with social objectives such as poverty reduction and environmental protection that also generates financial returns for investors.

Making a Difference with Impact Investment Bonds

Vaccine Bonds Issuer: International Finance Facility for Immunisation (IFFIm)

These bonds raise money needed to fund vaccinations for children in developing countries. Japanese investors can contribute to vaccine campaigns for children in developing countries (over 70 countries around the world) by investing in Vaccine Bonds.

[Issue date; issue amount]

March 19, 2008; approximately ¥20 billion  
 February 20, 2009; approximately ¥40 billion  
 March 24, 2010; approximately ¥30 billion

■ How Vaccine Bonds work

Every year, 2.3 million children in developing countries in Asia and Africa die from easily preventable infectious diseases.

To address this issue, the Global Alliance for Vaccines and Immunisation (GAVI), a global public-private partnership to carry out vaccination programs for children in developing countries, was formed in 2000. The vaccination programs for children in developing countries are supported by donations pledged by governments of several countries to the International Finance Facility for Immunisation (IFFIm), the international financial procurement institution of GAVI. Governments have pledged a total of US\$5.3 billion, which will be disbursed over an extended period until 2026.

This is commendable, but vaccinations are needed immediately in order to prevent more needless loss

of life among these children. Consequently, IFFIm borrows pledged donations from affiliated countries in advance by issuing Vaccine Bonds to establish a system to procure the funds required for the vaccines. IFFIm plans to raise US\$4.0 billion by 2015 through these Vaccine Bonds, which is expected to save the lives of 5 million children and prevent the premature deaths of more than 5 million other people.

### World CO2L Bonds Issuer: International Bank for Reconstruction and Development

These bonds, co-developed with the World Bank, use the mechanism of emissions trading credits to achieve targets set by the Kyoto Protocol. The coupon is linked to emissions reductions achieved

in specific greenhouse gas reduction projects and emissions trading credit prices, enabling investors to participate in these projects indirectly.

**[Issue date; issue amount]** June 26, 2008; approximately ¥3 billion

### Microfinance Bonds Issuer: International Finance Corporation, European Bank for Reconstruction and Development

These bonds raise the money needed for microfinance projects, which provide small-scale financial services

to impoverished people in developing countries and encourage their economic independence.

**[Issue date; issue amount]**

November 20, 2009; approximately ¥25 billion

June 15, 2010; approximately ¥9 billion

**Special report on microfinance (available only in Japanese):** <http://www.daiwa.jp/microfinance/>

### Green World Bank Bond Issuer: International Bank for Reconstruction and Development

This bond supports projects in the World Bank's member countries that meet specific criteria for low-carbon development. This gives investors an

opportunity to contribute to initiatives that combat climate change.

**[Issue date; issue amount]** February 3, 2010; approximately ¥10 billion

**Special report on Green World Bank Bond (available only in Japanese):** <http://www.daiwa.jp/green/index.html>

### Water Bonds Issuer: Asian Development Bank

There are approximately 500 million people in the Asia-Pacific region who lack access to safe drinking water, making the construction of water supply infrastructure and the improvement of water

resource management policies crucial issues. The Water Bond enables investors to support projects that help to resolve these issues.

**[Issue date; issue amount]** April 16, 2010; approximately ¥60 billion

**Special report on Water Bonds (available only in Japanese):** <http://www.daiwa.jp/water/index.html>

### Ecology Bonds Issuer: European Investment Bank

These bonds support projects related to renewable energy and energy efficiency. Over the past three years, the European Investment Bank has raised a

total of equivalent to approximately 1.0 billion euro in international capital markets by issuing ecology bonds.

**[Issue date; issue amount]** May 21, 2010; approximately ¥33 billion

**Special report on Ecology Bonds (available only in Japanese):** <http://www.daiwa.jp/ecology/index.html>

## Eco Fund program

### Daiwa/Blackrock Green New Energy Fund

In August 2009, Daiwa Asset Management established the Daiwa/BlackRock Green New Energy Fund.

This fund seeks to create jobs and stimulate the economy in the short-term and transform industrial and social structures to reduce environmental impact in the long term by investing in alternative energy and environmental fields. The fund invests in stocks in the alternative energy field, which is at the core of the Green New Deal policy. This will also promote renewable energy and other new technologies that have a low impact on the environment.

**[Inception date; total assets on inception date]**

August 26, 2009; approximately ¥17 billion

**Daiwa/Blackrock Green New Energy Fund (available only in Japanese):**

[http://www.daiwa-am.co.jp/funds/detail/detail\\_top.php?code=4757](http://www.daiwa-am.co.jp/funds/detail/detail_top.php?code=4757)



### "Eco Business Japan Stocks Open"

In June 2009, Daiwa SB Investments established "Eco Business Japan Stocks Open," a fund which invests in Japanese companies that support environmental measures promoting alternative energy development, energy efficiency, and decontamination and firms that have strong environmental infrastructure and other environment-related technologies.

This fund succeeds the Eco Fund, which proactively considered the level of environmental management in the investment decision-making process. The new fund invests in companies whose businesses specifically respond to environmental issues, such as alternative energy development and decontamination.

Japan has many companies with a strong commitment to environmental businesses, and the number of international patents filed by Japanese companies in this field surpasses that of European and US firms. The environmental business is expected to expand globally, and Daiwa SB Investments hopes to take advantage of this opportunity while also contributing to the development of Japanese industry and the spread of environmental technology through this fund.

**[Inception date; total assets on inception date]**

June 26, 2009; approximately ¥0.6 billion

**"Eco Business Japan Stocks Open" [http://www.daiwasbi.co.jp/products/search/fund\\_data/fund\\_data.php?code=22311096](http://www.daiwasbi.co.jp/products/search/fund_data/fund_data.php?code=22311096) (available only in Japanese)**

