

Creating the Future through SDGs

SDGs (Sustainable Development Goals) are critical targets that provide momentum for the future of the world. In this light, Daiwa Securities Group established the SDGs Promotion Committee as a means of working through the Group's business in financial and capital markets to tackle solutions to social issues. The Committee's purpose is to gather and organize information on the latest initiatives related to SDGs in Japan and overseas, and to discuss Group-wide approaches. In May 2018, Daiwa Securities Group declared its full-scale deployment of initiatives aimed at SDGs in its "Daiwa Securities Group's SDGs Declaration". Seiji Nakata, CEO of Daiwa Securities Group Inc., and Professor Norichika Kanie of Keio University, an invited outside committee member of the SDGs Promotion Committee, exchanged their thoughts on the future of initiatives aimed at SDGs.



Norichika Kanie

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About the SDGs Promotion Committee

Nakata: During the first committee meeting, held in May 2018, the outside committee members, including yourself, introduced their respective activities and thoughts. Among these, your talk discussing how we must first increase the recognition of SDGs and then go on to promote an understanding of SDGs left a very strong impression. You also spoke about the concept of “autonomous dispersed cooperation.” Similarly, we have begun to recognize the challenge of promoting these initiatives as a company while at the same time considering how to construct a system and framework in which individual employees can participate.

Moreover, the period of SDGs is specified up to 2030, but I think that the basic idea of SDGs should be sustainable and continuous. So I feel that we must not be dazzled by the term SDGs and simply pursue formulaic results when we consider our Group-wide approach.

Kanie: Because past sustainability-related activities had regularly faced the problem of funding failing to result from the will to act, when I was invited as an outside committee member to Daiwa Securities Group's SDGs Promotion Committee, the first thing I felt was that the world had finally started moving in a direction of change. In particular, my impression from a social perspective, too, was that with a financial institution promoting these kinds of initiatives, it was as if the center of things had started to move.

Nakata: Daiwa Securities Group enacted its Corporate Principles in 1998 and the Daiwa Spirit in 2008, therefore I think SDGs are already incorporated in this deep-rooted stance of the Group, albeit through tacit knowledge. With this approach incorporated into the structure of the organization itself, without even recognizing it, we are able to put initiatives into practice as a matter of course.

Moreover, there are examples of specific initiatives that will connect to solving SDGs-related problems that the Group began taking even before SDGs were formulated. For example, starting with vaccine bonds, we have led the industry in the sale of Impact Investment Bonds, while the Daiwa Securities Foundation has donated some ¥50 million annually over the past 25 years

to organizations conducting activities that connect to the targets of SDGs.

I think that reorganizing and sorting the initiatives that we have taken thus far from the perspective of SDGs is important in terms of encouraging an understanding and penetration among our employees.

For Creating Good Practices

Kanie: I often use the phrase “SDGs are the framework of the future.” The greatest implication of SDGs is that every member nation of the UN has consented to them. I think that the very fact that the world has agreed to such diverse, grand targets is of major value. It is corporations and their stakeholders who will flesh out this framework, but if we assume that the world will head in the direction of SDGs in the future, then from the perspective of business, too, being among the first to tackle SDGs will likely result in significant advantages.

Although it is important to undertake individual social contribution activities as CSR, going forward initiatives that are part of core business activities will be prioritized. Even though we may value the will to act for society despite such action failing to lead to profit, conversely this is where it is important to do business. As the co-chair and UN Ambassador from Kenya at the time the SDGs were formulated regularly stated, SDGs are a matter of economics. So in terms of economic development, it is growth that will allow us to eat forever, not just growth for the next 10 or 15 years, that is important.

For example, we cannot ignore the state of a region when undertaking renewable energy initiatives, because these kinds of initiatives are also connected to many other problems, like regional employment and empowering women. We cannot solve everything in a single stride, but by tackling problems one at a time, we can construct a system whereby we conduct business in fields that benefit society.

As you mentioned a moment ago, it is very important for Daiwa Securities Group to first reorganize those actions that the Group is already taking in a tacit manner from the perspective of SDGs. By taking inventory of these initiatives, you will be able to see what you must do next.



Norichika Kanie

A professor in the Graduate School of Media and Governance at Keio University. He is also a Senior Research Fellow at the United Nations University Institute for the Advanced Study of Sustainability. Prior to his current position, he served as an associate professor in the Graduate School of Decision Science and Technology at the Tokyo Institute of Technology. His past positions have included serving as a Marie Curie Incoming International Fellow at the European Commission and as a visiting professor at the Institut d'Etudes Politiques de Paris.

Nakata: In terms of decent work and economic growth, innovation in industry, and other economic aspects of SDGs, in particular, Daiwa Securities Group's economic activities have contributed to society over the past 116 years because of our responsibility for the financial infrastructure. I think that the first step in this reorganization is to first string together the daily tasks of our employees via the concept of SDGs, and thereby re-acknowledge the fundamental social meaning of these tasks.

The next step will be to comprehensively incorporate the perspectives of SDGs, including the challenges related to the environment, poverty, and hunger, within the businesses that we will deploy in the future, and pursue economic value without doing that which does not match SDGs. We can expect to see dilemmas emerge at this time between the various matters, so I think that finding a

balance and formulating policies will become an issue going forward. However, as a private enterprise this thinking assumes that we will also pursue economic value of a sufficient scale.

SDGs and Innovation

Kanie: Trying to solve everything from the outset across a wide range of topics will result in burnout, so I feel that undertaking issues slowly, starting from where it is viable, and widening perspectives little by little from there will give birth to new ideas. What I often tell my students is that simply combining just two out of any 169 targets gives rise to more than 28,000 concept variations. Immediate priorities differ for everyone, which is exactly what makes society diverse and interesting. So if each one of us brings different ideas together and we undertake

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each idea one at a time while working together where we can, we will be able to create significant value.

Nakata: When I first saw the SDGs framework, I got the impression that these were suited to the financial industry and securities companies like ourselves. Whereas manufacturers with technical capabilities can contribute deeply and significantly to one goal, I think that finance can become involved broadly throughout the world, from countries and governments to enterprises and individuals.

For example, Daiwa Securities Group is currently investigating whether we can contribute to the agri-food business as a part of our financial business. If we can establish this approach as a business model, we will be able to help solve food-supply issues. The financial industry is also being affected by the trend of leveraging FinTech and AI to drive new innovations, and is, in practice, aiming to improve systems throughout the world by applying the results of these innovations. By adjusting our current initiatives to match SDGs, making analyses and setting criteria for determining where to tackle SDGs within new business, I think we can make progress with integration initiatives for SDGs and our business itself.

Kanie: You just mentioned FinTech and AI, but the groups in the university that have shown the strongest interest in SDGs are students and researchers in the fields of technology. Professor Jun Murai, who is famous for his work in developing the technological platforms for the Internet, has raised the concept of rebundling technologies under the concept of SDGs. For example, if we are able to conduct all transactions using electronic money, the speed of transactions would increase and we would no longer need to print cash, which would reduce resource consumption by an equivalent degree. In addition, we can expect secondary impacts on issues related to the environment and disparities. Initially, I was surprised by this link with technology, but this kind of talk has emerged in various areas, and I now feel this subject has entered an interesting phase.

There are strong linkages between technology and local revitalization, too. In June 2018, the Cabinet Office of Japan selected 29 cities as “SDGs Future Cities.” The proposals of the selected cities included promoting telecommuting by leveraging technology. If technology can be used to improve agriculture, then by more efficiently producing high-quality crops we could also increase agricultural revenues despite a falling agricultural population and even against a backdrop of severe climate change. Using 3D printers may also enable us to reduce transportation costs and energy consumption.

Conversely, regional cities with smaller populations are likely to offer an environment within which it is easier to undertake experimental initiatives for SDGs. By involving regional financial institutions, for example, some local governments are working to create systems by which companies that tackle SDGs can acquire benefits. Financial institutions also hold the key to local communities, and I feel that it is possible for them to create new innovation through a diverse range of approaches.

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Nakata: I think that communities would reach a deadlock if local governments, leading local enterprises, and regional banks, for example, that are already familiar with the area, do not take the lead under their own initiative. I think our role in this area is to influence and

support local governments and enterprises via our locations throughout Japan.

We are also considering promoting voluntary initiatives by our employees by collecting ideas and through workshops in the future. I think that having an awareness that stems from living within regional communities, not only while being involved in a company, will nurture a culture. I hope to create a system that will effectively drive the link between individuals and organizations so that the Group will find positive new ideas.

Kanie: The concept of creating a system whereby various stakeholders can dream up and link their different ideas to give rise to something new resides in SDGs. And I feel that one of the potentials of this linkage is the responsibility of academia. Researchers no longer just lock themselves away in ivory towers to write papers, but have started to prioritize interaction with society. SDGs provide a good opportunity to speak using the same language as corporations, and I hope to take advantage of this. Utilizing logical, objective data, applying and analyzing existing systems, and creating new actions is the field in which academia is most skilled, so I feel that we can contribute in this respect.



Nakata: Starting this summer, I will have the pleasure of cooperating with the xSDG Laboratory, which you represent, as part of the Keio Research Institute at SFC. So I look forward to continuing to receive all kinds of advice on Daiwa Securities Group's SDGs activities.