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Please refer to the SDGs site (<u>https://www.daiwa-grp.jp/english/sustainability/</u>) for the latest information.

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Please refer to the SDGs site (<u>https://www.daiwa-grp.jp/english/sustainability/</u>) for the latest information.

\* This report is current as of November 30, 2023.

\* Detailed data related to Sustainability and ESG are collected separately in Sustainability Data Edition.

> Sustainability Data Edition https://www.daiwa-grp.jp/english/sustainability/data/pdf/daiwa\_sustainability\_data\_2023.pdf

\* As a digest version of the Sustainability Report, we also publish "Sustainability Booklet," a compact and

easy-to-understand summary of our way of thinking about the Sustainability and the details of various initiatives. > Sustainability Booklet

 $https://www.daiwa-grp.jp/english/sustainability/data/pdf/daiwa\_sustainability\_en\_booklet\_2023sec.pdf$ 

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Environment / Others

# Message from CEO



Seiji Nakata President and CEO Daiwa Securities Group Inc.

#### Promoting Sustainable Management

In 2018, Daiwa Securities Group Inc. established the SDGs Promotion Committee (later renamed the Sustainability Promotion Committee), which I chair for discussions about sustainability promotion measures. As required, the Board of Directors also deliberates the relevant measures to foster sustainability groupwide.

The Daiwa Securities Group upholds "Contributing to society" as one of its Corporate Principles, and promoting sustainability is not a new goal for us: we have long been committed to sustainability promotion as an integral part of our business activities, measures to solidify our management foundation and of our social contribution activities. We have systematized the promotion measures to enhance sustainable management as a basis to contribute to society appropriately in line with the needs of the times.

Going forward, we will continue to contribute to the development of society and the economy through financial and capital markets and make a groupwide effort to create a sustainable and prosperous society toward becoming an entity that is truly needed by all stakeholders. Please stay tuned for more initiatives about our sustainability-related measures.

# Message from the Head of Sustainability



Keiko Tashiro Director, Deputy President Executive Head of Overseas Operations, Head of Sustainability and Think Tank Daiwa Securities Group Inc.

#### **Enhancing Corporate Value**

The impact of the pandemic and the emergence of geopolitical risks have accelerated the imperative for companies to embrace sustainability-oriented business operations where they are not only expected to pursue economic returns, but also to minimize the negative impacts and maximize the positive impacts of their operations on the environment and society. As an integrated securities group, it is our pivotal mission to support fundraising symbolized by transition finance, which has gained significant attention as a financing mechanism for the transition to a carbon-neutral society.

The promotion of sustainable finance is the key for companies to ensure that contributing to sustainability through business is not just as a temporary movement, but a medium- to long-term strategy to increase their own resilience. Recognizing this, Daiwa Securities Group will enhance its system to promote sustainable finance in line with our "Vision 2030". We will engage with both investors and issuers to help them

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understand its significance, and support the enhancement of corporate value that brings positive outcomes.

Companies are expected to assume the role of facilitators in addressing social issues. To meet this expectation, all employees will make a collaborative effort to establish a new cycle of funds that contribute to the realization of a sustainable society.

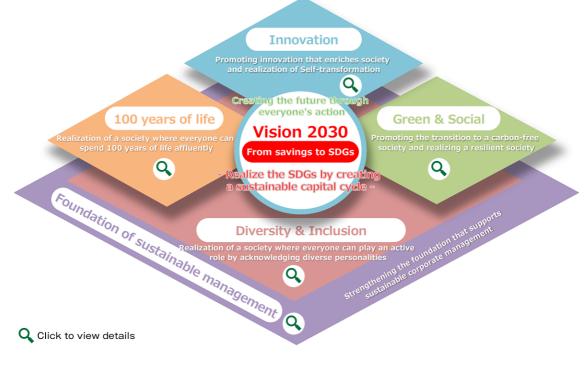


# Daiwa Securities Group's Management Vision "Vision 2030"

# "Vision 2030" -From savings to SDGs-

Daiwa Securities Group has outlined its goals in "Vision 2030," which is rooted in its Corporate Principles and the Daiwa Spirit; 2030 is also the year by which it seeks to realize the SDGs.

Vision 2030 takes as its core concept "From savings to SDGs" and, through this Vision, the Group intends to realize the SDGs by creating a sustainable capital cycle.



- ➤ Vision 2030-From savings to SDGs-Concept Video □
- > Corporate Principles
- > The Daiwa Spirit

Governance / S

Social Socia

Environment / Others

# Materiality

# "Vision 2030" and materiality

In "Vision 2030," Daiwa Securities Group identified priority areas and priority issues it should focus on as "Materiality."

priority areas	priority issues
<u>100 years of life</u> Realization of a society where everyone can spend 100 years of life affluently	<ol> <li>Support for household asset formation and conservation toward the realization of a prosperous 100-year life</li> <li>Realization of local revitalization with private funds</li> <li>Financial support for economic growth in Asia</li> </ol>
Innovation Innovation that enriches society Promote and realize your own transformation	<ol> <li>Support for accelerating corporate metabolism toward the realization of innovation that enriches society</li> <li>Reform of business portfolio to create new added value</li> <li>Leading social transformation as a one-of-a-kind financial platformer</li> </ol>
<u>Green &amp; Social</u> Promoting the transition to a carbon-free society and realizing a resilient society	<ol> <li>Promotion of green finance to support the realization of a carbon- free society</li> <li>Development and provision of new financial products and services that contribute to the realization of a sustainable society</li> </ol>
<b>Event Series Se</b>	<ul> <li>9. Fostering human resources who can provide added value</li> <li>10. Building an organization where everyone can play an active role by acknowledging diverse personalities</li> <li>11. Strengthening a sound and highly transparent management base</li> </ul>
sustainable corporate management-	<ol> <li>12. Leading the maintenance and development of financial and capital markets</li> <li>13. Creating a beautiful global environment that will lead to the next generation</li> <li>14. Realization of a better future community / society</li> </ol>

Governance Social

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Activities

#### Others

### Daiwa Securities Group Key Performance Indicators (KPIs)

The Medium-term Management Plan "Passion for the Best" 2023 maps out strategies for the first three years of Vision 2030 and incorporates KPIs for managing progress as it seeks to achieve its vision.

### KPIs and Key Areas Related to KPIs (Targets to achieve in FY2023)

Financial KPIs	Performance ROE 10% or higher Ordinary income ¥200 billion or more	Wealth Management Business Retail Division asset based revenue ratio 50% or higher*1	Hybrid Strategy Hybrid-related ordinary income ¥50 billion or more Hybrid-related ordinary income ratio Around 25%	Financial Base Consolidated total capital ratio Maintain at 18% or higher
Non-financial KPIs	Human Resources Number of Digital IT Master 200 personnel or more Number of CFP and CMA 3,000 personnel or more	Wealth Management Business Daiwa Securities assets under custody (AUC) ¥90 trillion or more	SDGs bond league table 'Ouen(Supporting)' term of ¥200 billion or more Balance of investment in S ¥150 billion or more Ratio of women on the bo 30% or higher*2 Ratio of women in manage 25% or higher*3 Employee satisfaction	In top 3 deposits balance SDGs-related business ards of directors
	100 years of life	Innovation	& Diversity & State	Foundation of sustainable management

- 4Q, FY2023 \*1.
- \*2. By 2030
- FY2025 \*3.

Governance Social

Environment Others

# **Materiality Identification Process**

Daiwa Securities Group identified important environmental and social issues in the formation of its medium- to long-term Vision. The Group also identified "Materiality (priority areas and priority issues)" based on the requests of society it understood through communication with shareholders as well as the Group's impact on society.

The Group seeks to achieve "Vision 2030" by managing progress based on KPIs initiatives in order to improve the Group's value and realize a sustainable society.

#### **Identification Process**

Previously	Incorporating sustainability perspective as the basis of our business strategy In 2018, Daiwa Securities Group established the Sustainability Promotion Committee (formerly SDGs Promotion Committee), chaired by President and CEO Seiji Nakata. It subsequently formulated the "Passion for SDGs -Daiwa Securities Group Action Plan-," which detailed the Group's commitment to actively contributing to SDGs through its businesses.
STEP1	Understanding and assessing environmental and social issues Based on its Corporate Principles, and taking into consideration various international frameworks (GRI, ISO 26000, SASB, TCFD, etc.), international initiatives such as the UN Global Compact, indices established by ESG evaluation organizations, and issues raised by governments and economic organizations, Daiwa Securities Group identified important environmental and social issues that might either provide opportunities or pose risks. It then drew up a long-list of 65 issues which it could engage with in order to strengthen its management foundations.
	Dialogue with internal and external stakeholders Q
STEP2	<b>Dialogue with internal and external stakeholders</b> Through communications with both internal and external stakeholders, the Group evaluated the impact and the importance to society of the environmental and social issues it identified in Step 1. To this end, it consulted with outside members of the Sustainability Promotion Committee (formerly SDGs Promotion Committee) and internal experts on which priority issues and directions it should focus on in the medium and long term. The Group also engaged in dialogue with Sustainability Promotion Managers at various headquarters and Group companies, and with young employees who will comprise the heart of the Group's workforce in 2030, on the topic of what goals it should set for 2030.
STEP2	Through communications with both internal and external stakeholders, the Group evaluated the impact and the importance to society of the environmental and social issues it identified in Step 1. To this end, it consulted with outside members of the Sustainability Promotion Committee (formerly SDGs Promotion Committee) and internal experts on which priority issues and directions it should focus on in the medium and long term. The Group also engaged in dialogue with Sustainability Promotion Managers at various headquarters and Group companies, and with young employees who will comprise the heart of the Group's workforce in 2030, on the topic of what goals it should set for

Message from CEO	Our strategy for Sustainability         Sustainability in Our Business         Governance         Social         Social Contribution Activities         Environment         Others
STEP4	Discussions and decisions made by the management The Materiality (draft) was discussed by outside directors, outside members of the Sustainability Promotion Committee (formerly SDGs Promotion Committee), and the management at Board of Directors, Executive Committee of the Group, and Sustainability Promotion Committee (formerly SDGs Promotion Committee) meetings. Vision 2030, including Materiality, was resolved at the Board of Directors meeting. At the same time, a set of KPIs was drawn up to manage the progress of Materiality initiatives. Going forward, the Materiality will be continually revised, according to international trends in environmental and social issues, changes in business environments, and feedback from both internal and external stakeholders.
Going forward	Taking on Materiality and realizing Vision 2030 Representatives of various headquarters and Group companies will carry out progress management, seek to understand issues, and implement related measures. The state of progress will be regularly monitored by the management at committees, including the Sustainability Promotion Committee (formerly SDGs Promotion Committee) and Board of Directors.

**Q** Click to see the dialogue.

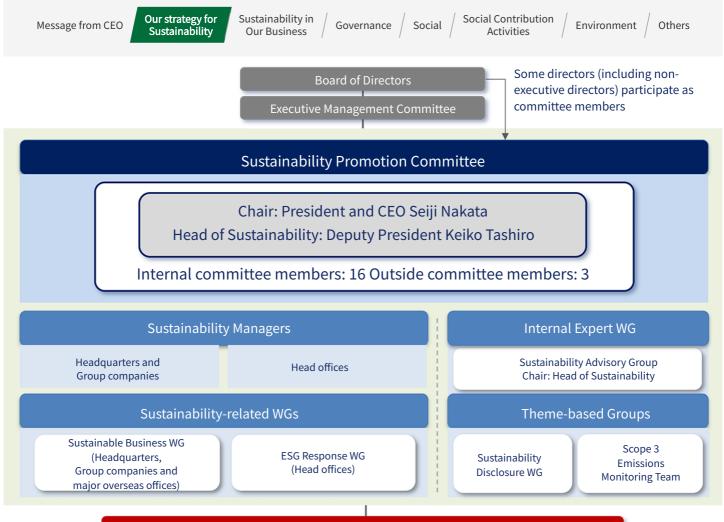
# Sustainability Promotion Structure

Chaired by the president and CEO, the Sustainability Promotion Committee (formerly the SDGs Promotion Committee) was established by Daiwa Securities Group in 2018 as the decision-making organization for its sustainability promotion policies.

This Committee regularly reports the details of its discussions regarding sustainability promotion to the Board of Directors and the Executive Management Committee, which deliberate on these where appropriate. The Board of Directors also makes decisions on important policies regarding sustainability. The Group will continue to enhance the Board of Directors' supervisory functions covering the status of the Group's response to sustainability-related issues.

The Group invites external experts to the Committee on a regular basis, which enables it to utilize the experience and insights of those experts in its discussions.

Based on decisions made by the Committee, the Corporate Planning Department's Sustainability Promotion Office works to deploy sustainability promotion initiatives throughout the Group, and endeavors to strengthen collaboration and raise awareness of sustainability within the Group.



Secretariat: Sustainability Promotion Office, Corporate Planning Department

(as of April 1, 2023)

Head of Sustainability	Promotes businesses that contribute to sustainability throughout the Group, and oversees initiatives to enhance the foundation for sustainable management
Sustainability Managers	Promote SDGs/ESG-related businesses and conduct KPI progress management for each organization (Headquarters and Group companies) within the Group
Sustainable Business WG	Monitor the KPIs, ascertain the progress status of SDGs/ESG-related businesses, identify issues, and plan and implement measures for these issues under the direction of sustainability managers
ESG Response WG	Enhance and strengthen ESG response in reference to external evaluations (investors and evaluation organizations) regarding ESG
Sustainability Advisory Group	Composed of internal experts with extensive knowledge in sustainability who exchange opinions regarding challenges for the Group and future action
Sustainability Disclosure WG	Cross-departmental organizations that aim to expand the disclosure of sustainability information from the perspective of integrated reporting
Scope 3 Emissions Monitoring Team	Monitors emissions relating to the investment and loan portfolios, and sets targets





Governance / Social

Social Contribution Activities

Environment / Others

# Sustainability Promotion Committee members list

#### Chairman



Seiji Nakata President and CEO

#### **Committee Members**



Toshihiro Matsui Deputy President COO and Head of Wholesale



Keiko Tashiro Deputy President Executive Head of Overseas Operations, Head of Sustainability and Think Tank



Akihiko Ogino Deputy President Executive Head of Corporate Planning, Human Resources and Financial & Public Institutions Banking



Shinsuke Niizuma Deputy President Head of Retail

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Eiji Sato Senior Executive Managing Director CFO and Head of Corporate Planning



Kana Shirakawa Senior Executive Managing Director Head of Human Resources and CHO



Tsutomu Kobayashi Executive Managing Director CRO



Sachiko Hanaoka Director



Mikita Komatsu President Daiwa Asset Management Co. Ltd.



Atsushi Mochizuki President Daiwa Institute of Research Ltd.



Tomoo Fujioka Senior Executive Managing Director Daiwa Securities Co. Ltd. Head of Global Markets Division and Global Markets Strategic Planning



Isao Tsujioka Senior Executive Managing Director Daiwa Securities Co. Ltd. Head of Corporate Institution

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Junichi Serizawa Senior Executive Managing Director Daiwa Securities Co. Ltd. Head of Retail Marketing Division



Toru Yamamoto Senior Executive Managing Director Daiwa Securities Co. Ltd. Head of Global Investment Banking Division



Toyo Abe Senior Managing Director Deputy Head of Corporate Planning Head of Legal and Financial Education

#### **Outside Members**

\* The names are arranged in alphabetical order in Japanese



Toshihide Arimura Professor, School of Political Science and Economics, Waseda University Faculty Fellow, The Research Institute of Economy, Trade and Industry



Arisa Kishigami Independent consultant, En-CycleS (Engagement Cycle for Sustainability) Trustee, Japan Sustainable Investment Forum (JSIF)



Daisuke Takahashi Partner Attorney at Shinwa Law

#### Our strategy for Sustainability

Sustainability in Our Business Governance / Se

#### it Others

# History of Sustainability Promotion

### September 2015 Adopted SDGs (Sustainable Development Goals)

The SDGs (Sustainable Development Goals) are the 17 common goals of humankind that were created by UN member countries, various organizations and people, and adopted by the United Nations in 2015. It has been promised that each country will actively work to achieve these goals. Daiwa Securities Group considers the SDGs to be important goals that give direction to the world, and will approach social issues as an important common language when conducting business in Japan and overseas.

Statements

### February 2018 Established "Sustainability Promotion Committee (formerly SDGs Promotion Committee)"

In 2018, we established the Sustainability Promotion Committee (formerly SDGs Promotion Committee) chaired by Seiji Nakata, President and CEO. External committee members always participate to bring in fresh ideas and cutting-edge information from outside the company, and we are making Group-wide efforts to contribute to sustainability.

Structure of Sustainability Promotion

### April 2018 Formulation of "Medium-Term Management Plan (FY2018-FY2020) 'Passion for the Best' 2020"

In our Medium-term Management Plan "Passion for the Best" 2020, the basic policy is to "provide high value-added solutions through our No. 1 quality consulting capabilities" and "provide new value as a hybrid comprehensive securities group." We aim to be a "pioneer in the financial and capital markets that creates the future," which creates a virtuous cycle of expanding customers' assets and growing the companies that drive the Japanese economy.



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# May 2018 Announcement of "Daiwa Securities Group SDGs Declaration (Passion for SDGs 2018)"

The Sustainability Promotion Committee (formerly SDGs Promotion Committee) has clearly stated that we will actively promote initiatives that contribute to the SDGs through our Group business in the "Daiwa Securities Group SDGs Declaration (Passion for SDGs 2018)."

Daiwa Securities Group SDGs Declaration (Passion for SDGs 2018)

# May 2019 Announcement of SDGs Materiality and SDGs Promotion Action Plan

In order to promote sustainability in the entire Group, we believe that not only top-down promotion but also bottom-up efforts by employees are important, and we solicited a wide range of sustainability-related initiatives and ideas from employees. When soliciting ideas, we incorporated two perspectives: Forecasting that considers what we can do now, and Backcasting that considers what we can do based on the "ideal image" of the Group in 2030, the deadline for achieving the SDGs. As a result, for Forecasting we gathered more than 4,200 ideas not only from the headquarters departments, but also from branch offices in Japan, Group companies, and overseas bases. In the Backcasting approach, about 120 volunteers gathered through internal recruitment and made a proposal for the realization of the Group's "Vision 2030".

We identified issues from this bottom-up initiative, and summarized them by collating them with the demands from society, which we uncovered through communication with stakeholders and the knowledge of outside experts. Then, after discussions at the Sustainability Promotion Committee (formerly SDGs Promotion Committee), we finalized the "Daiwa Securities Group's Priority Issues (SDGs Materiality)."

Furthermore, from this bottom-up initiative, we identified the matters that should be focused on to solve the priority issues, and compiled the "Passion for SDGs 2019 -Daiwa Securities Group Action Plan-."

# May 2020 Announcement of SDGs Promotion KPIs for FY2020

We have only 10 years left before 2030, the deadline for achieving the SDGs. Aiming to build a "Daiwa version of an SDG value chain" that generates a sustainable flow of funds, in order to accelerate the initiatives of our SDGs promotion action plan, we have set SDGs promotion KPIs for each action theme for this fiscal year, and have started trial operation. Based on these KPIs, we monitored the status of progress and made revisions if necessary, aiming for full-scale operation in the following fiscal year and beyond.

Governance / Social

Social Contribution

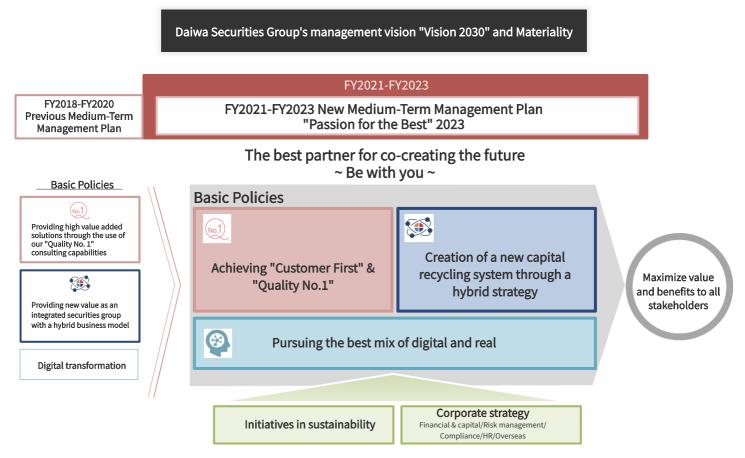
Environment / Others

### April 2021 Announcement of the management vision "Vision 2030" and the Medium-term Management Plan (FY2021-FY2023) "Passion for the Best" 2023

Moving forward to 2030, we formulated and announced the management vision "Vision 2030" in May 2021 for all executives and employees to share what Daiwa Securities Group wants to be and what the Group should be, and to work as one on the creation of shared values. "Vision 2030" takes as its core concept "From savings to SDGs" and, through this Vision, the Group intends to realize the SDGs by creating a sustainable capital cycle.

The Medium-term Management Plan "Passion for the Best" 2023 maps out strategies for the first three years toward the realization of "Vision 2030".

Daiwa Securities Group will continue to contribute to the creation of a sustainable and prosperous society.



In the Medium-term Management Plan "Passion for the Best" 2023, we have incorporated an SDGs perspective as the basis of our business strategy, and have continued to adopt and will further strengthen the basic policies of "achieving Customer First & Quality No.1" and "creating a new capital recycling system through a hybrid strategy." In light of the increased importance of promotion of digital transformation (DX), we have also set "pursuing the best mix of digital and real" as the third pillar.

In addition to these three basic policies, we have established the slogan of staying close to customers and becoming "The best partner for co-creating the future -Be with you-."

We will further step up our sustainability initiatives, including SDGs and ESG initiatives, and corporate strategies at head office divisions as the foundations that support individual strategies.



Others

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l Social Contribution Activities

Environment

# Daiwa Securities Group SDGs Declaration

Daiwa Securities Group recognizes Sustainable Development Goals adopted by the United Nations in 2015 as overarching goals to lead the world. Through our group business, we will work actively for realization of a prosperous society and improved people's life by pursuing both company's economic values and solution of social challenges at the same time.

# **Creation of Shared values**

As an integrated securities group that provides wide range of services for various customer needs, we will address solutions of social challenges with flexible mindset to create company's economic values and social values at the same time.

# Developing and realizing work styles for diverse human resources

With measures like promotion of better work-life balance and success of female and veteran employees to create working environment in which our employees, regardless of their gender and age, would feel satisfying to work and they would demonstrate their potential fully, we will endeavor to develop diverse human capital and work styles.

# Stakeholders and Partnership

By utilizing our group quality of taking a leading role in connecting countries, companies and investors, we aim for contribution to various social business solutions through partnership with each of our stakeholders.

# Increase recognition and enhance penetration

We will try to increase awareness and deeper understanding of sustainability among both our employees and customers through our group business as a main player in financial and capital market.

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Social Social

Social Contribution / E

Environment / Others

# Stakeholder Engagement

Daiwa Securities Group recognizes that, as a company, it has an important mission not only to resolve social issues, but also to grasp what social issues need to be addressed.

In light of the rapid changes in the economy and society in recent years, social issues are also expected to change with the times. We place importance on dialogue as a part of engagement with various stakeholders as a method of continuing to grasp such changing social issues. Through our business, we will resolve social issues identified by active engagement with a broad range of stakeholders, including customers, shareholders, investors, local communities, and NPOs, in pursuit of balancing social values and economic values.

# **Basic Policy on Stakeholder Engagement**

- (1) Daiwa Securities Group will strive to engage with a broad range of stakeholders based on ISO 26000 and the Charter of Corporate Behavior of the Nippon Keidanren (Japan Business Federation).
- (2) The Group will strive to deepen engagement with stakeholders already known to us, including customers, shareholders and other investors, business partners, employees and local communities.
- hareholders and others burners burners
- (3) The Group will strive to actively communicate and engage with third-party institutions, organizations, and individuals, etc. with whom we have previously had no contact in order to identify other stakeholders.

Stakeholders		Method of Engagement	Main Contact Points	Relevant Web Pages
Customers	Investors	We strive to improve customer, satisfaction by providing products and services that meet the needs and risk tolerance of individual investors, institutional investors, and potential investors who are considering investing.	Retail Division Contact Center Customer Support Center Wholesale Division	<ul> <li>&gt; Initiatives for Customer- First Services</li> <li>&gt; Support for Asset Building</li> <li>&gt; Environmental and Social Policy Framework</li> </ul>
	lssuers	We propose optimal financing methods among from a wide range of methods to corporations, public organizations, and others seeking to raise funds through the issuance of stocks and bonds, and provide total support for their financing from formulation of plans to execution.		

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Stak	eholders	Method of Engagement	Main Contact Points	Relevant Web Pages		
Society	Investees Business	As an institutional investor, we strive to maintain active communication, including engagement with investee companies. We maintain fair relationships with	Investment Division Retail Division Risk Management Department General Affairs Department General Affairs Department General Affairs Department Sustainability Promotion Office, Corporate Planning Department Daiwa Securities Foundation Daiwa Anglo-Japanese Foundation Corporate Communication Department Department Daiwa Anglo-Japanese Foundation Corporate Communication Department Sustainability Promotion Daiwa Anglo-Japanese Foundation Corporate Communication Department Department Department Daiwa Anglo-Japanese Foundation Corporate Communication Department Department Department	Investment DivisionResponsibilities of the Securities BusinessRetail DivisionSecurities BusinessWholesale Division> Supply Chain ManagemRisk Management> Environmental and Soc Policy Framework	Investment Division Retail Division Wholesale Division Risk Management Department	<ul> <li>Responsibilities of the Securities Business</li> <li>&gt; Supply Chain Management</li> <li>&gt; Environmental and Social</li> </ul>
	partners	all our business partners, including suppliers, and collaborate with them in order to create a sustainable society.		<ul> <li>&gt; Tax Policy</li> <li>&gt; Political Contributions (Sustainability Data Edition (formerly SDGs Data Edition)) </li> <li>&gt; Financial Education and Research</li> <li>&gt; Contribution through Foundations and NPOs</li> <li>&gt; Corporate Citizenship Initiatives</li> <li>&gt; Sponsorship Activities for Culture and the Arts</li> <li>&gt; Daiwa Securities Group 120th Anniversary Children's Future Project (Japanese only)</li> </ul>		
	Government	We comply with the Daiwa Securities Group Tax Policy, fulfill our tax obligations and disclose the amount of tax paid in each country. We also present policy recommendations in order to create a better society. When making political contributions, we comply with internal regulations and all relevant laws and regulations, and we properly disclose the amount of contributions.				
	NPOs/NGOs	We collaborate with NPOs/NGOs in economic and financial education and disaster relief assistance. We also incorporate the perspective of resolving social issues in our business strategies through active dialogue with them.				
	Local communities	As a member of the local communities where Daiwa Securities Group's head and branch offices and overseas subsidiaries are located, we engage in community-based activities.				
Employees	Employees and their families	We create an environment in which employees, who provide added value for all stakeholders, are able to feel motivated to work and demonstrate their abilities and enthusiasm, and we strive to improve employee satisfaction. Families of employees are also our important stakeholders.	Human resources Department Corporate communication Department Sustainability Promotion Office, Corporate Planning Department	> Communication with Employees		

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Stakeholders		Method of Engagement	Main Contact Points	Relevant Web Pages			
Shareholders and others	Shareholders and others(*)	We endeavor to be transparent in our disclosure of information and to meet the expectations of shareholders and others through the sustainable improvement of corporate value. (*) Including investors in bonds issued by Daiwa Securities Group	Investor Relations Office, Corporate Planning Department	Engagement with Shareholders and Investors			

# Engagement through participation in initiatives

Daiwa Securities Group actively participates in, signs, and supports various initiatives in Japan and overseas, and in addition to utilizing their standards, we also encourage society through engagement.

> For more details, see Participation in Initiatives

Governance

Social Contribution Activities

Others Environment

# **Statements**

Introducing Daiwa Securities Group's various statements.

# Management

- > Corporate Principles
- > Management Policy
- > Basic Policy on Stakeholder Engagement

#### > Daiwa Spirit [PDF: 80 KB] (Japanese)

> Daiwa Securities Group's Management Vision "Vision2030" Materiality

# Sustainability in general

- > Daiwa Securities Group's SDGs Declaration
- > Daiwa Asset Management Co. Ltd. "ESG Investment Policy"
- > Daiwa Capital Markets America Inc. "Corporate Social Responsibility"
- > Daiwa Asset Management Co. Ltd. "Sustainability Policy" (including "Environmental Policy" and "Human Rights Policy") (Japanese)
- > Daiwa Real Estate Asset Management Co.Ltd. "Sustainability Policy"
- > Daiwa Capital Markets Europe Ltd. "Corporate Social Responsibility"

# **Environment**

- > Environmental Vision, Environmental Principles, and Basic Environmental Policies
- > The Daiwa Securities Group Net Zero Carbon Declaration
- > Response to Climate Change (Disclosure Based on the TCFD Recommendations 2023)

Governance S

Social

# Society

### **Customer support**

### **Basic Policy on Customer-first Operations**

- > Daiwa Securities Group
- > Daiwa Securities Co. Ltd. (Japanese) 🗇
- ≻ Daiwa Asset Management Co. Ltd.(Japanese) 🗇
- 🗲 Daiwa Real Estate Asset Management Co.Ltd. 🛛
- > Daiwa Corporate Investment Co., Ltd. (Japanese) 🗇
- 🕻 Daiwa Next Bank, Ltd (Japanese) 🗇
- > Daiwa Connect Securities Co., Ltd. (Japanese) 🗇

# Human Capital

- > Guidelines for Fair Hiring
- Health Management (Approaches and Policy, Promotion System, Targets, and, Examples of Major Initiatives and Results, etc.)
- > Daiwa Capital Markets Europe Ltd. "Modern Slavery Act 2015"

# Investment and Financing Policy

- > Environmental and Social Policy Framework
- Daiwa Asset Management "Investment and Other Activities Related to Cluster Bomb Manufacturing Companies"

### Daiwa Securities Group Suppliers' Code of Conduct

### **Basic Policy for Social Contribution Activities**

- > Human Rights Policy
- Daiwa Capital Markets Europe Ltd. "Equity, Diversity & Inclusion" Inclusion
- Daiwa Capital Markets America Inc. "WORK FOR US" > "Culture" <a>[]</a>
- > Daiwa Asset Management Co. Ltd. "ESG Investment Policy"

Governance / Sc

Social Social

> Basic Views on Corporate Governance

Environment / Others

# Governance

### **Corporate Governance**

- > Corporate Governance Guidelines 🕒
- Policies on Determination of Remuneration of Directors and Corporate Executive Officers

# Compliance

### Daiwa Securities Group Anti-Corruption Policy

#### **Privacy Policy**

- > Daiwa Securities Group
- > Daiwa Securities Co. Ltd.(Japanese)
- > Daiwa Asset Management Co. Ltd. 🛛

Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT)

Securing the Fairness and Transparency of the Market ~Prevention of unfair transactions such as insider trading~

Basic Policy on Avoiding Involvement with Anti-Social Forces

**AI Governance Mission Statement** 

#### Management Policy for Conflict of Interest

- > Daiwa Securities Group
- ➤ Daiwa Securities Co. Ltd.(Japanese) □
- > Daiwa Asset Management Co. Ltd.(Japanese) □

### Information disclosure

> Disclosure Policy



Governance

### **Risk Management**

- > Risk Appetite Framework [PDF: 3,342 KB] 👃
- > Environmental and Social Policy Framework

# Tax affairs

> Daiwa Securities Group "Tax Policy"

🕻 Daiwa Capital Markets Europe "UK Tax Strategy" 🛽 📕

Activities

# Japan's Stewardship Code

- > Daiwa Securities "Accepting the Japanese Stewardship Code" (Japanese)
- > Daiwa Asset Management Co. Ltd. "Stewardship"

Governance / Social

Social Contribution

Environment / Others

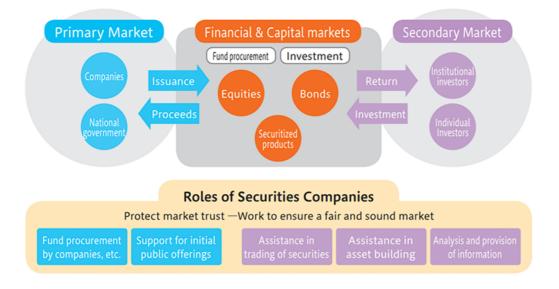
# Role and Social Responsibilities of the Securities Business

At Daiwa Securities Group, we believe that our role is not only to maintain and develop a fair and dynamic financial market, but also to incorporate a social perspective in finance in order to contribute to building a sustainable society. For example, the securities business - our core operations - plays a key role in society by building a bridge between the needs of investors to manage assets and those of the private and public sectors to raise funds.

On investing in securities, we promote methods of investment that take ESG (environment, society, and governance) factors, such as environmental and social initiatives into account together with financial information.

# Supporting Sound Financial and Capital Markets -Six Roles of the Daiwa Securities Group-

We support companies that need funds, from listing support to consulting. We will continue to support social infrastructure by creating a flow of funds, contributing to the creation of an environment in which innovation is easy to occur, and the creation of a more active and stable financial market.



> Global Network

Role 1: Fund procurement by companies,<br/>etc.Role 2: Support for initial public offeringsRole 3: Assistance in trading of securitiesRole 4: Assistance in asset buildingRole 5: Analysis and provision of<br/>informationRole 6: Protect market trust

Governance Social

Social Contribution Activities

Environment Others

# **Initiatives for Maintaining Market Functions**

### **Role and Importance of Settlement Functions**

Securities settlement - a mainstay of the Group's overall operations - is the delivery of stocks, bonds, or other instruments and funds both to and from the buyer and seller of a securities transaction. Settlement functions also serve as a social infrastructure, and therefore security, reliability, and convenience are important. In secure and trusted markets, financial instruments can be reliably converted into cash when necessary. This is the very reason why such markets attract investment money from all over the world and enable companies and others with funding needs to procure funds.

#### **Responsibility as a Securities Company**

Any delay in settlement functions could lead to a loss of trust in the market as a whole, which in turn could have a significant impact on the global economy. Daiwa Securities considers it vital to settle transactions accurately and promptly as required in order to ensure that markets function as a social infrastructure and become a driver for economic development. It is therefore continually striving to build the best structure for ensuring the smooth execution of settlement operations.

For this reason, Daiwa Securities has implemented a reliable system that has high processing capability to reliably settle a massive number of transactions. In addition, the company is carrying out its settlement operations with the best mix of the digital world and the real world. This includes the digital transformation (DX) of its operations to ensure efficiency and greater accuracy and personnel with a wide range of knowledge and expertise to quickly grasp the situation and respond appropriately in the event of an irregularity. Meanwhile, recognizing the need to further increase convenience and strengthen risk management in order to boost the competitiveness of Japan's financial and capital markets, the entire securities industry is working on reducing settlement time. T+1 (trade date plus one day) settlement began for government bonds in May 2018, T+2 settlement for stocks in July 2019, and T+2 settlement for domestic corporate bonds in July 2020. We are also continuously examining various ways to further improve the efficiency of settlement operations in collaboration with settlement institutions and other organizations.

We are determined to continue settlement operations no matter what happens. In accordance with such determination, we have drawn up a business continuity plan (BCP) and regularly conduct training in preparation for unforeseen circumstances, such as the spread of new infectious diseases, natural disasters, and terrorism.

The reliability of settlement is extremely important for maintaining customer trust. We will continue to meet increasingly sophisticated customer needs and quickly provide solutions by taking advantage of our reliable settlement infrastructure and human resources.



#### Securities Companies' Role in Financial and Capital Markets

Governance / Social

l Social Contribution

Environment / Others

# Responsible Action as an Institutional Investor

# Adoption of "Japan's Stewardship Code"

The Financial Services Agency of Japan published "Principles for Responsible Institutional Investors (Japan's Stewardship Code)" in February 2014. The Code, which has been revised twice, encourages institutional investors to fulfill their responsibilities of enhancing the medium- to long-term investment returns for their clients and beneficiaries by improving and fostering the investee companies' corporate value and sustainable growth through constructive engagement, or purposeful dialogue, based on consideration of mediumto long-term sustainability including ESG factors consistent with their investment management strategies. In our Group, Daiwa Securities and Daiwa Asset Management have announced their adoption of the Code.

### Adoption of Principles for Responsible Institutional Investors (Japan's Stewardship Code)

- ightarrow Daiwa Securities (Japanese only)  $\ensuremath{\square}$
- 🖒 Daiwa Asset Management 🛛

# System at Daiwa Asset Management

Daiwa Asset Management became a signatory to the United Nations-supported Principles for Responsible Investment (PRI) in May 2006. It takes into account ESG initiatives taken by companies when making investment decisions, as it considers that such initiatives can lead to expanding growth capabilities over the medium to long term and reducing risks. Moreover, Daiwa Asset Management published its "ESG Investment Policy" in January 2020 to clarify its approach to ESG. In principle, the Policy applies to all investment strategies of the company.

After announcing its adoption of Japan's Stewardship Code in May 2014, Daiwa Asset Management renewed the announcement of its adoption of the Code in September 2020 in line with the revision of the code, and has since been continuously and actively fulfilling its stewardship responsibilities and striving to improve its initiatives. The company's basic approach to stewardship activities is shown in its Stewardship Policy. Details of its stewardship activities, including status of engagement (such as policy, structure, and a breakdown of activities by category), are released annually in its Stewardship Report. The report's name has been changed to Sustainability Report starting from the April 2023 issue. In addition to the existing contents, the report introduces the sustainability-oriented management that we are working on as a corporation.

- ightarrow ESG Investment Policy  $\Box$
- ightarrow Stewardship Policy  $\Box$
- > Sustainability Report 2022 🕑

### ESG Education, Training and Exchange of Information

Daiwa Asset Management has adopted "Enhance Global Sustainability" as part of its action guidelines, and is taking systematic measures that will contribute to the sustainable growth of society.

Governance Social

Social Contribution

Environment / Others

#### Education and Training for Executives and Employees

Daiwa Asset Management provides all executives and employees with internal training designed to share knowledge of stewardship activities that should be undertaken by an asset management company as well as overall knowledge of ESG. As ESG, in particular, is a field where new initiatives are being taken daily, the company organizes study meetings aimed at the updating of specific themes as needed. In FY2022, the company held a total of three training sessions and study meetings, including training to deepen understanding of its stewardship activities.

#### **ESG Exchange Meetings for Investee Companies**

Daiwa Asset Management places importance on investee companies' ESG initiatives as it considers that such initiatives can lead to expanding growth capabilities over the medium to long term and reducing risks. On the other hand, it became aware during dialogs with investee companies that the investees were struggling with appropriate methods for ESG disclosure and collection of information. The company therefore invites multiple investees and holds ongoing ESG-related information exchange meetings based on the idea that investees' sharing their initiatives and exchanging information with each other will not only be beneficial to the company but also to future initiatives of the investees. The first meeting in February 2021 was on the topic "gender diversity," and the second meeting in May 2022 was on the topic "human capital."

> Report on the 2nd ESG Exchange Meeting (Japanese only)

Others

# Support for Asset Building

While the importance of asset management in the "100-year life era" is increasingly gaining attention, Daiwa Securities considers the development and provision of superior products to be one of our major missions in society, and strives to develop new products and improve their quality.

# Products offered to pursue shared value

> Sustainable Finance

# Initiatives through Business Activities Such as the Underwriting and Sale of SDG Bonds

Climate change has become a serious threat to all countries. It is said that developing countries are being impacted first and with the gravest results. Climate change may destroy the social initiatives for poverty reduction that have been steadily carried out over the last several decades, and it is impossible to separate it from poverty issues.

In the past few years, initiatives for sustainability have spread worldwide, and along with the expansion of the market for related bonds, customers' interest in sustainability has been growing. As a pioneer for SDG bonds in Japan (including conventional Impact Investment bonds), Daiwa Securities provides customers with opportunities to invest in bonds issued by public organizations, financial institutions, and other issuers for the purpose of solving social issues.

Daiwa Securities Group will continue to contribute to solving social issues through its business activities, including the underwriting and sale of Green Bonds and other SDG bonds.

#### SDG Bonds for Retail Investors Sold by Daiwa Securities (FY2022)

Issuers	Use of funds	Sales amount (estimate)
AEON MALL Co., Ltd.*	Sustainability Link Bond	¥13.0 billion
Mie Prefecture*	Green Bond	¥100 million
Kitakyushu City*	Sustainability Bond	¥200 million
NH Foods Ltd.⁺	Sustainability Bond	¥3 billion
Yamaguchi Financial Group, Inc.*	Green Bond	¥10 billion
TOKYU CORPORATION*	Sustainability Bond	¥2.5 billion

Message from CEO / Our strategy for Sustainability	Sustainability in Our Business         Governance         Social         Social Contribution Activities         Environm	nent / Others
lssuers	Use of funds	Sales amount (estimate)
Tokyo Metropolitan Government*	Green Bond	¥1.9 billion
Japan International Cooperation Agency (JICA)*	Social Bond	¥900 million

\* Sold by multiple companies including Daiwa Securities (the sales amounts shown above are those underwritten by Daiwa Securities).

# **ESG Funds**

ESG funds are investment trusts that place an emphasis on ESG factors when selecting companies to invest in, including companies that are working to achieve ESG and SDG targets toward a sustainable society. These funds can disclose ESG information.

By investing in these funds in the financial market, investors can indirectly support countries and companies that are actively working on sustainability.

We are expanding our product lineup to meet diverse customer needs.

### Initiatives in Funds for Decarbonization (Daiwa Asset Management)

Daiwa Asset Management has established and manages a carbon neutral technology equity fund (nicknamed "Carbon ZERO"). The fund invests primarily in solution companies that contribute to a decarbonized society from among global equities and have a low carbon footprint relative to the MSCI All Country World Index. Candriam S.C.A., which provides investment advice, aims to achieve zero carbon as a fund by contributing a portion of the fees earned from fund advice to green projects aimed at reducing CO<sub>2</sub>. The fund's ESG information is disclosed in its Impact Report.

Candriam and some of its sales companies, including Daiwa Securities, donate a portion of trust fees to tree-planting activities in Japan through NPOs. In this way, we create opportunities to walk together with the beneficiaries toward a decarbonized society.

ightarrow Special feature on the Carbon Neutral Equity Fund (Carbon Zero) (Japanese only)  $\Box$ 

# Initiatives of Fund Wrap Services

In the era of living 100 years, managing assets for the medium to long term is critical. Daiwa Fund Wrap is a service that enables customers with no investment experience or too busy to make investment decisions themselves to start long-term diversified investment by having Daiwa Securities invest in and manage assets on their behalf under a discretionary investment agreement. In providing our services, we strive to communicate closely with our customers to build a relationship of trust. To keep attracting customers over the long term, we will continue our initiatives to implement better structures and systems so as to improve our performance and the quality of our services.

- Balance of domestic Wrap accounts: ¥ 14,647.2 billion (As of March 31, 2023)
- \* Source: Data released by the Japan Investment Advisers Association
- Balance of Wrap accounts at Daiwa Securities: ¥3,095.5 billion (As of March 31, 2023)
- \* Source: Data released by the Japan Investment Advisers Association

Governance / Social /

l Social Contribution Activities

Environment / Others

- Daiwa Social Contribution Wrap Daiwa Fund Wrap with a donation service Amount donated in FY2022: ¥7.58 million (cumulative donations in the last 3 years: ¥59.67 million yen)
- \* Total donated amount from customers and from Daiwa Securities

### Initiatives for Solutions Business

Many small- and medium-sized companies and small-scale enterprises are now facing the issue of business succession due to the aging of their management team or owners. It is said that about half the managers exceeding the age of 70-the average retirement agein the next 10 years are yet to decide on their successors. Moreover, even the continuity of their business activities, which support regional economies, has recently been at risk. Daiwa Securities recognizes that it is its duty, as a financial institution, to firmly support, in financial terms, small- and medium-sized companies' efforts to pass down their valuable business resources, employment, and technologies to the next generations, thereby helping to maintain regional supply chains. We will support the sustainable development of local communities and the Japanese economy by encouraging the continuation, development, and growth of small- and mediumsized companies of good standing by providing solutions to inheritance, business succession, M&A, and other issues.

### System Product WEB Service

System Product WEB Service is offered as a support tool for customers building assets. Its aim is to realize a prosperous era of the 100year life.

The service enables customers to centrally manage their stock-based employee benefit plans (such as stock ownership plans, workplace NISA, and defined contribution pension plans) and stock-based compensation plans (such as specified transfer-restricted stock (RS) and stock options) on a single online platform. The service enables us to support asset-building to help our customers realize their life plans and to actively encourage participation in a company's employee benefit plans, such as stock ownership plans and installment-type investment plans.

Utilizing the latest technologies in the context of digital transformation (DX), for companies and their employees, we are working to build highly flexible coordination based on an application programming interface (API), to provide a high degree of convenience, such as making use of cloud services to make opening accounts more effortless and less time-consuming, and to completely eliminate the need for paper and personal seals in various procedures.

### Expansion of Services for Asset-Building Customers through Smartphone-only Securities Company, "Daiwa Connect Securities"

Smartphones and other technical innovations are changing the common perception that securities companies are used only by affluent customers and that securities transactions require an advanced level of financial knowledge. We recognize that generating securities services available to all people in consideration of financial inclusion is an issue facing not only Daiwa Securities Group but also the securities industry as a whole.

Daiwa Connect Securities, which launched its services in July 2020, is a new type of securities company established by the Daiwa Securities Group. It features services that allow everything from account opening to securities trading and asset management to be completed via smartphone and allows beginners to start investing with small amounts easily.

Daiwa Connect Securities also partners with external companies to provide a game app that allows people to learn about investing in a fun way, a reward point investment service that allows people to use the reward points they earn from other services to invest, and a

<sup>\*</sup> Donated to: Food aid (UN WFP), medical care (Doctors Without Borders Japan), child support (Japan Committee for UNICEF), environment (WWF Japan), and disaster recovery (Japan Platform)

ce / Social / S

Social Contribution

Environment / Others

credit card regular investment service where cardmembers pay for their investments by credit card, allowing them to earn reward points from card use. These services provide opportunities to easily learn financial literacy with a small amount of money and diversify access to financial services.

Daiwa Connect Securities will continue to develop and provide its services so that all people will be able to access better financial services.

### Initiatives Using REITs, Funds and Other Structures to Solve Social Issues

#### **Investment in Healthcare Facilities**

Daiwa Real Estate Asset Management managed Nippon Healthcare Investment Corporation, which was Japan's first REIT focusing on healthcare facilities. On April 1, 2020, that REIT was merged with Japan Rental Housing Investments Inc., a REIT focusing on housing that was also managed by Daiwa Real Estate Asset Management, and Daiwa Securities Living Investment Corporation ("DLI"), the J-REIT with the largest amount of healthcare facility assets under management in Japan, was established. DLI invests in prime healthcare facilities that are likely to see stronger demand from society over the medium to long term as the population continues to age. Through such investment, it will contribute to the "Achievement of Good Health and Longevity," a priority issue in Japan identified in the SDGs Implementation Guiding Principles formulated by the government's SDGs Promotion Headquarters.

DLI has also established a social finance framework to provide ESG investment opportunities to investors through social financing and received a Social 1 (F) rating, the highest rating, from Japan Credit Rating Agency, Ltd. (JCR). Based on this framework, DLI has borrowed ¥9,920 million through a social loan as of March 2023 and issued ¥2.0 billion of social bonds in January 2022, using the funds raised to acquire healthcare facilities.

#### Total amount of investment in healthcare facilities

• Approximately ¥108.2 billion (as of May 31, 2023)

#### Investment in Renewable Energy

With regard to infrastructure assets, Daiwa Real Estate Asset Management has been managing photovoltaic power stations since FY2014, and was entrusted in FY2017 with the management of a biomass power generation plant invested in by Daiwa Energy & Infrastructure. In September 2021, the company was entrusted with management of DSREF Amaterasu Core Fund, Investment Limited Partnership, a private fund targeting investment in a solar power project which was established by soliciting investments from domestic institutional investors. The company will continue to expand the balance of its assets under management while striving to accumulate knowledge of investment and management in the renewable energy field.

#### Management results of renewable energy power plants

- Number of deals: 23 (Hokkaido, Tohoku, Hokuriku, Kanto, Chubu, Kansai, Chugoku, and Shikoku regions)
- Output: Approximately 252MW from solar power plants (excluding output from assets on land with leasehold interest), 13 MW from biomass power plants
- Annual energy output (April 2022 to March 2023): 331,977MWh (Assumed CO<sub>2</sub> reduction of 152,290 t-CO<sub>2</sub>, calculated using emission factors of each regional electric utility)

e Social

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Social Contribution
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Environment / Others

• Balance of assets under management: Approximately ¥87.5 billion

### FY2022 Initiatives Taken by the Group's Overseas Offices

#### Underwriting diverse ESG bonds to help solve global environmental and social issues

Serving as the lead manager of four key ESG Bonds in 2022, Daiwa Capital Markets America ("DCMA") is helping to solve social issues and protect the global environment. In July 2022, DCMA underwrote a sustainable development bond issued by the International Bank for Reconstruction and Development (IBRD). The raised funds will be used to build a road safety support system. In September, DCMA underwrote a forest conservation bond issued by the Inter-American Development Bank, realizing investments in forest conservation projects. In December, DCMA underwrote a green bond issued by Aguas Andinas, a Chilean water utility company, and the first blue bond issued by the Central American Bank for Economic Integration (CABEI). The funds raised by these bonds were used for water utility enhancement and marine conservation, respectively.

DCMA will continue contributing to the SDGs achievement and ESG investments through its activities.

### Supporting ESG bonds and contributing to the SDGs

As a member of the Daiwa Securities Group, Daiwa Capital Markets Europe Limited ("DCME") is committed to the SDGs. It combines investments with the SDGs, recognizing the importance of its role as a securities firm that can positively impact society.

DCME has supported the issuance of ESG bonds since 2008 and has led more than 100 transactions that are aligned with the SDGs. Daiwa Securities Group and DCME will continue to support the financing of environmental and social initiatives.

#### Key webinars and conferences in the Asia region

In September 2022, Daiwa Capital Markets Singapore hosted Daiwa ESG Conference 2022, a webinar on Asian ESG bonds. Speakers from Daiwa Securities' Sustainability Solutions Department, bond issuers, and ESG rating agencies were invited to discuss the current status and outlook of ESG bond markets in Japan and Asia.

In November of the same year, at the Daiwa Capital Markets Conference (DCMC), held face-to-face with audience for the first time in three years, we arranged a speech on blue bonds (samurai bonds) by the Director of Government Bonds, Ministry of Finance of Indonesia. This led to the country's first blue bond issuance in May 2023.

### Structuring and selling green bonds issued by Aguas Andinas to Hong Kong investors

In December 2022, Daiwa Capital Markets Hong Kong and DCMA structured and sold green bonds issued by Aguas Andinas, a public service company engaged in the sale of drinking water and wastewater treatment services in Chile, to Hong Kong investors. The bonds were issued under the Green Bond Framework, which aims to improve water and wastewater services in Chile, which in turn will contribute to social and economic development. The raised funds will be used for infrastructure projects in Chile, including drinking water supply, wastewater treatment, and water distribution systems.

Governance Social

Social Contribution

Environment / Others

# Providing Analysis/Proposals on the Economy, Society, and Investment Information

Daiwa Securities Group as an integrated securities group provides, in addition to investment information, a wide range of information on the economy and society. We hope that the measures we propose from a long-term perspective will be helpful to customers, investors and a variety of stakeholders.

### Initiatives to Provide Information on ESG (Daiwa Securities)

Daiwa Securities' Equity Research Department is a group of analysts and strategists. They analyze and evaluate information released by companies, and provide stock price information and investment strategies and ideas to institutional investors (such as asset management companies, banks, insurance companies, pension funds).

International agendas, such as the SDGs and the Paris Agreement, have gained much attention in recent years. Against this backdrop, a growing number of investors are using nonfinancial information in relation to the environment, society, and corporate governance when making medium to long term investment decisions. Therefore, in May 2019, Daiwa Securities established the ESG Research Section, which specializes in handling ESG information, within the Equity Research Department, thereby putting in place a system for comprehensively analyzing and evaluating financial and nonfinancial information. The ESG Research Section works on writing analysis reports focusing on topics such as climate change, human rights and gender issues, corporate governance systems, and social impact, as well as holding ESG seminars and other activities.

ESG information will become more and more important for companies and society as a whole for achieving sustainable growth over the long term. We strive to provide appropriate ESG information in a timely manner so that institutional investors will be able to expand their investment returns in the medium to long term through responsible investment and purposeful dialogue (engagement). In October 2021, Securitization and SDG bonds Group was formed under Fixed Income, Currency and Commodities (FICC) Research Dept., which focuses on sustainability in the bond market. The aim of the Section is to meet the growing information needs of institutional investors, including trends in the SDG bond market, climate change and bond markets, and ESG investment performance.

# Comprehensive Provision of Information and Policy Proposal Activities

Daiwa Institute of Research (DIR), which assumes the think-tank role of Daiwa Securities Group, provides wide-ranging analysis and information to the public. At DIR, we consider it our mission to engage in comprehensive provision of information and policy proposal activities concerning the financial and capital markets and the real economy. We have always sought to provide up-to-date and indepth information and a unique viewpoint that has not been presented by others. In order to provide information that satisfies the needs of the public, we also exchange information and hold discussions with businesses, investors, public institutions including governments and municipalities, and various economic groups, as well as overseas think-tanks and media. In this way, we are able to analyze the currents and trends of society and disseminate information.

We also actively deliver ESG information, with the ESG Research Section playing a central role in researching, analyzing, and disseminating related information. In recent years, sustainability disclosure frameworks have evolved rapidly worldwide, with growing interest from both issuers and investors. In FY2022, the Section published 25 reports related to the SDGs and ESG and visited 65 financial companies and business companies to provide SDG/ESG information.

Governance Social

ial Social Contribution Activities

on / Environment

ent / Others

#### Provision of information by DIR through diverse media

- Number of reports posted on the website: 506 reports (Results for FY2022)
- Full texts of reports available on the website
- Number of recent hits on the research division's page: 4.26 million hits (Results for FY2022)

The DIR Research Division conducts a wide range of information dissemination activities, including reports, media appearances, and book publications. The Research Division provides clear explanations of complex economic and social issues and produces highquality reports, which has increased opportunities to communicate with clients.

The Research Production Dept. of Daiwa Securities publishes Daiwa Investment Information Monthly and other periodicals to provide information to the general public. It uses many other means to dispatch information to the general public, including books published by publishing houses, desktop calendars with information on financial events, and market charts for wall-hanging.

Daiwa Securities Group hosts live webinars by popular strategists and analysts and provides interactive information to many customers through the chat function. Approximately 43,000 people participated in FY2022. The Group will continue efforts to disseminate information in an easy-to-understand manner.



Governance / Social

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Social Contribution
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Environment / Others

# Sustainable Finance

In recent years, Sustainable finance markets in Japan and overseas have expanded, and we believe this trend will continue in the future.

Daiwa Securities started to work on Sustainable finance ahead of others. In 2008, the company sold Vaccine Bonds for individual investors, Japan's first impact investment bonds.

We have also worked to develop standards for Sustainable finance in Japan and overseas. In 2017 and 2020, we served as a member of the Green Bond Review Committee set up by the Ministry of the Environment to develop the Green Bond Guidelines. In 2020, we became Asia's only underwriter selected as a member of the Advisory Council of the International Capital Market Association (ICMA).

In 2020, Daiwa Securities Group established a team specialized in Sustainable finance within Daiwa Securities to further enhance the company's underwriting system. We strive to contribute to spreading and expanding Sustainable finance while offering products, services, and proposals that meet the needs for Sustainable finance from issuers and investors, who are our customers.

# **Promotion of Sustainable Finance**



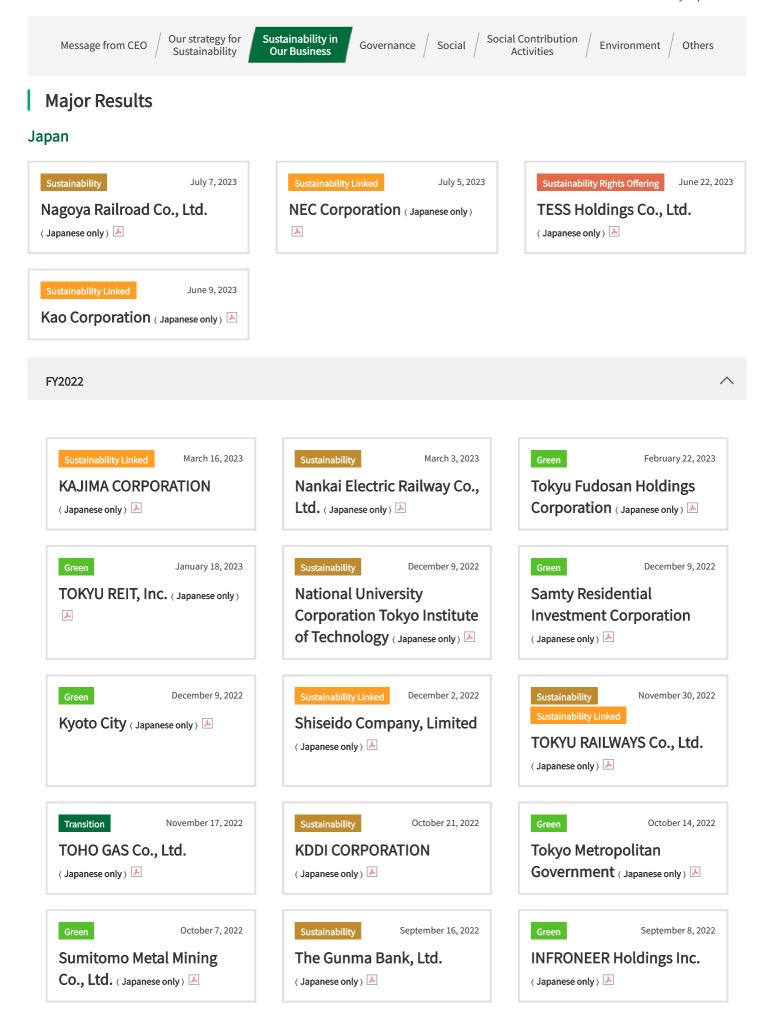
Mami Negishi Managing Director Sustainability Solutions Dept. Daiwa Securities Co. Ltd.

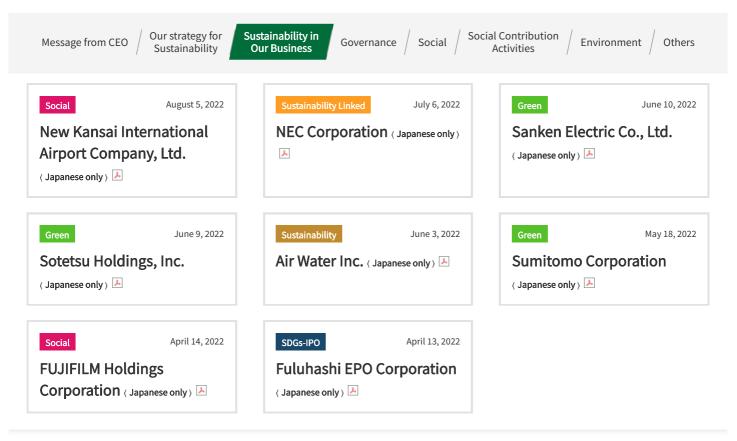
The Sustainability Solutions Department is committed to supporting sustainable finance, which seeks economic outcomes while considering the aspects of Environment, Social, and Governance (ESG). While traditional finance has focused on profitability and risk, addressing social issues as climate change is imperative in sustainable finance.

Solving climate change and other social issues requires substantial funding and collaboration between the public and private sectors. By promoting the vitality of sustainable finance, we can enhance the functioning of the private financial market and support businesses in their ESG initiatives.

Moreover, by linking a company's significant corporate actions, such as fundraising, to its materiality regarding social issues, we envision the integration of ESG into the core of corporate management, bringing us closer to realizing a sustainable society.

As stated in the Daiwa Securities Group's 2030 Vision "From Savings to SDGs – Realize the SDGs by creating a sustainable capital cycle -", we will continue to make concerted efforts to contribute to a sustainable future as a bridge connecting market participants such as issuers and investors.





#### FY2021

- [Transition] Japan Airlines Co., Ltd. (February 22, 2022) ( Japanese only ) 🛃
- [Sustainability] NEC Capital Solutions, Ltd. (February 22, 2022) ( Japanese only ). 📕
- [Green] Asahi Printing Co., Ltd. (January 28, 2022) ( Japanese only ) 📕
- [Sustainability] Nagoya Railroad Co., Ltd. (December 10, 2021) (Japanese only) 🔎
- [Social] The University of Tokyo (December 10, 2021) ( Japanese only ) 🔎
- [Sustainability] Hankyu Hanshin Holdings, Inc. (December 3, 2021) ( Japanese only ) 📕
- [Sustainability Linked] Tokyu Fudosan Holdings Corporation (October 5, 2021) ( Japanese only ). 📕
- [Sustainability] Yokohama Reito Co., Ltd. (September 17, 2021) ( Japanese only ) 🕨
- [Green] SCSK Corporation (June 1, 2021) ( Japanese only ) 📕

#### FY2020

- [SDGs-IPO] TESS Holdings Co., Ltd. (March 24, 2021) ( Japanese only ) 🕨
- [Sustainability Linked Green] Takamatsu Construction Group Co., Ltd. (March 12, 2021) ( Japanese only ) 📕
- [Sustainability] Shinsei Bank Ltd. (March 5, 2021) (Japanese only) 🛽
- [Social-PO] Gakken Holdings Co., Ltd. (February 26, 2021) ( Japanese only ) 📕
- [Sustainability] Mitsui Fudosan Logistics Park Inc. (February 5, 2021)
- [SDGs-IPO] Poppins Holdings Inc. (December 21, 2020) ( Japanese only ) 🔎

Others

- [Green] The Sumitomo Warehouse Co., Ltd. (October 2020)
- [Green] SENKO Group Holdings Co., Ltd. (September 11, 2020) ( Japanese only ) 🔎
- [Green] Daiwa Office Investment Corporation (September 4, 2020)

#### FY2019

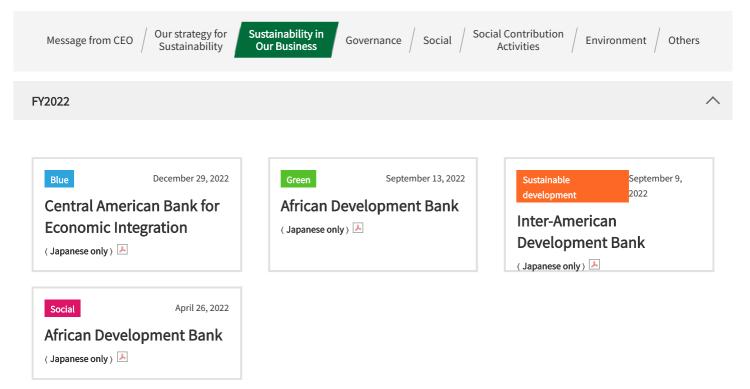
- [Social] Gakken Holdings Co., Ltd. (March 6, 2020)
- [Green] DAIKEN CORPORATION First issuance of green bonds in Japan's building materials industry (September 13, 2019) ( Japanese only)
- [Green] The Sumitomo Warehouse Co., Ltd. First issuance of green bonds by a warehousing company (September 13, 2019) ( Japanese only)
- [Sustainability] Mitsui O.S.K. Lines, Ltd. First issuance of sustainability bonds for individual investors in Japan (July 12, 2019) ( Japanese only.)
- [Green] ORIX JREIT Inc. (July 11, 2019)

#### FY2018

- [Green] Tokyo Tatemono Co., Ltd. (March 8, 2019) ( Japanese only ) 🛃
- [Green] Daiwa Securities Group Inc. (November 22, 2018) ( Japanese only ) 📕
- [Green] Sumitomo Forestry Co., Ltd. Issuance of green convertible bonds (September 11, 2018) ( Japanese only ) 🗵
- [Green] Mitsui O.S.K. Lines, Ltd. First issuance of green bonds for individual investors in Japan (August 24, 2018) (Japanese only).

## **Overseas**

Sustainable development July 31, 2023	Blue Ju	y 28, 2023	SDG Housing	June 29, 2023
Inter-American Development Bank ( Japanese only )	Central American Bank Economic Integration ( Japanese only )	for	Nederlandse Waterschapsba	${\sf nk}$ ( Japanese only )



#### FY2021

- [Green] Hungary (February 2022) ( Japanese only )
- [EYE] Inter-American Development Bank (February 2022) ( Japanese only ). 🛃
- [Sustainable development] Inter-American Development Bank (February 2022) ( Japanese only ) 🗵
- [Gender] Asian Development Bank (February 2022) 🛃
- [Water] Asian Development Bank (October 2021) 🔎
- [Decarbonization] Inter-American Investment Corporation (October 2021) ( Japanese only ) 🔎
- [Climate resilience] European Bank for Reconstruction and Development (EBRD) (July 2021) ( Japanese only ) 🕨
- [Nutrition] Corporación Andina de Fomento (July 2021) 🔎

#### FY2020

- [Sustainable development] Inter-American Development Bank (IDB) (March 2021) ( Japanese only ) 🗵
- [Green transition] European Bank for Reconstruction and Development (EBRD) (January 2021) ( Japanese only ) 🔎
- [Social] International Finance Corporation (IFC) (November 2020) ( Japanese only ) 📕
- [COVID-19 Vaccine] Central American Bank for Economic Integration (CABEI) (November 2020) ( Japanese only ). 📕
- [Green] Hungary (September 2020) 🔎
- [Sustainable development] Inter-American Development Bank (IDB) (June 2020)
- [Social] International Finance Corporation (IFC) (April 2020)

Our strategy for Sustainability Sustainability in Our Business

Governance /

Social

Social Contribution Activities

Environment / Others

# Activity

## **Report on Media Appearance**

## Economic education program "Manabiya-17"

Yukino Yamada, the Equity Research Department of Daiwa Securities, appeared on BS-TBS' economic educational program "Manabiya-17 (Seventeen)," which conveys ESG investment in an easy-to-understand manner.

This program was supervised by the Public Institutions Dept., the Debt Capital Market Dept. (II), and Sustainability Solutions Dept. of Daiwa Securities. It was planned for SDGs beginners, and introduced companies' efforts to achieve SDGs.

 $\langle$  Issuers Introduced in the Program \*in order of appearance  $\rangle$ 

- Fuji Film Co., Ltd.
- Japan Railway Construction, Transport and Technology Agency

Report on Media Appearance : Economic Education Program "Sustainable Every Day-What Economy Can Do for the Future"

## **Report on Media Appearance**

## Economic Education Program "Sustainable Every Day-What Economy Can Do for the Future"

Yukino Yamada, Chief ESG Strategist at Daiwa Securities, appeared in "Sustainable Every Day-What Economy Can Do for the Future," a TV program (broadcast on BS TV TOKYO) communicating ESG in an easy-to-understand manner. The program was supervised entirely by the Public Institutions Banking Dept. and the Debt Capital Market Deprt. (I) to (III) of Daiwa Securities. It was planned for those engaged in business and college students who have a great interest in social contribution. Showing specific cases, the program introduced corporate activities aimed at achieving the SDGs and fund procurement methods.

## $\langle$ Issuers Introduced in the Program \*in order of appearance $\rangle$

- Poppins Holdings Co., Ltd.
- Gakken Holdings Co., Ltd.







Our strategy for Susta Sustainability Our

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- Nidec Corporation
- Japan Railway Construction, Transport and Technology Agency
- KDDI CORPORATION

#### Selected as Member of ICMA's Advisory Council of the Green Bond and Social Bond Principles

Daiwa Securities Co. Ltd. was selected as a member of the Advisory Council of the Green Bond and Social Bond Principles ("Green Bond Principles, etc.") of the International Capital Market Association (ICMA), becoming Asia's only underwriter selected for the Council.

We believe that this selection was due to the high evaluation of our efforts and achievements related to SDGs. Daiwa Securities Group will strive to establish and develop new frameworks, such as sustainability linked bonds and transition bonds, in addition to existing green bonds, social bonds, and sustainability bonds, and will continue to contribute to creating a sustainable society.

> For details, click here ( Japanese only ) 🕨

#### Selected as Top Performer in IFC's ESG Scoring Survey (July 2020)

In an ESG survey for underwriters conducted for the first time by International Finance Corporation (IFC), Daiwa Securities was selected as a top performer, becoming one of only six companies receiving the highest rank title among 44 companies.

#### Major check points

- ESG policy
- Handling of ESG-related products
- Collaboration with stakeholders
- Initiatives to reduce environmental impact
- Reporting on nonfinancial information, etc.

#### Daiwa Securities Group Inc.'s MSCI ESG Rating Upgraded to A for the First Time (December 2019)

MSCI Inc. is the world's largest ESG index provider.

The ESG index assesses companies comparatively by industry on a global scale and assigns ratings on a seven-point scale from AAA to CCC. The initiatives we implemented in our core businesses to achieve the SDGs were highly evaluated by the external organization.

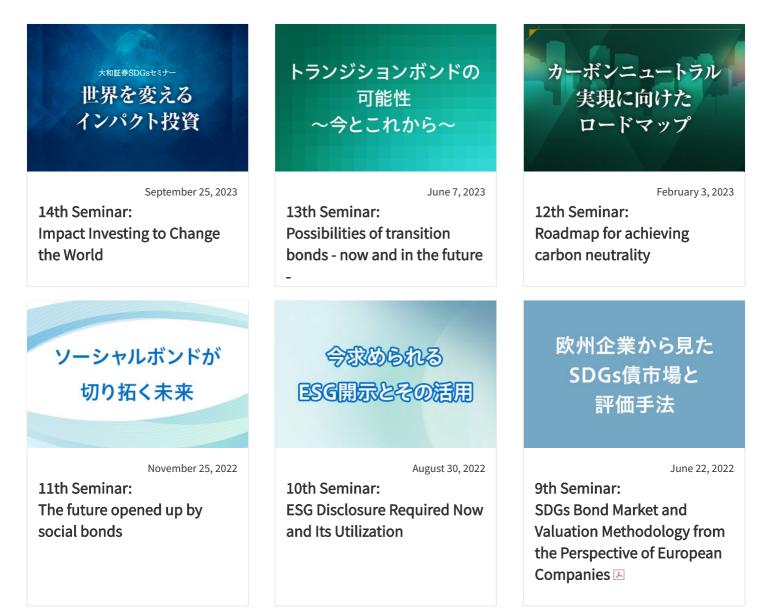
Governance Social

Social Contribution Activities

Environment / Others

## **Holding of Seminars**

Daiwa Securities Group holds various sustainability-themed seminars while receiving support from issuers, investors, and rating agencies. We aim to spread and expand Sustainable finance by communicating the latest topics and approaches to customers.





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Governance / Social

Social Contribution

Environment / Others

#### **Holding of Engagement Meetings**

Daiwa Securities Group arranges engagement meetings with issuers and investors with the aim of further enhancing Sustainable finance.

In these meetings, we communicate investors' frank opinions to SDGs bond issuers, thereby contributing to the positive development of SDGs bond markets for both issuers and investors.

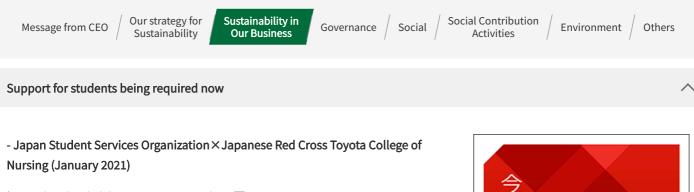


#### Realization of a green society through regional revitalization and development of transportation infrastructure

- JRTT×Kiraboshi Bank, Ltd. (April 2021)

> For details, click here (Japanese only)





> For details, click here ( Japanese only ) 🛛



Holding of Community-Based Seminars -SDGs × Regional Revitalization-

Since 2021, our sales branches across Japan have been holding seminars (webinars) that introduce initiatives taken by various organizations toward achievement of the SDGs.

For details, <u>click here. (</u> Japanese only )

#### Message from CEO

Our strategy for Sustainability Sustainability in Our Business Governance / Social

Social Contribution

Environment / Others

# Sustainability-Fueled Business Expansion

While maintaining the core securities business that has been valued since its foundation, Daiwa Securities Group has started solution businesses for social problems in various fields, such as FinTech, healthcare, energy infrastructure, and agriculture, leveraging the knowledge of various securities and financial businesses cultivated by the Group.

# Fintertech Co., Ltd.

## Creation of Next Generation Financial Services

Established in April 2018, Fintertech Co., Ltd. aims to create next-generation financial services through the use of state-of-the-art technologies and collaboration with external companies.

The company began offering digital asset-backed loans in March 2020, followed by a crowd-based tipping system in April 2020, real estate investment loans in April 2021, and loan-type crowdfunding in November 2021. Going forward, the company will continue to develop new financial services to satisfy the diverse needs of customers.

> Fintertech Co., Ltd. ( Japanese only ) 🗇

# Daiwa Energy & Infrastructure Co., Ltd.

# Promotion of Investment and Financing in Energy

Daiwa Energy & Infrastructure Co., Ltd. (DEI) was launched as the successor to the energy investment division of Daiwa PI Partners, and started operation on October 1, 2018. The company aims to provide new value as a member of an integrated securities group with a hybrid business model, and contribute to the SDGs through investment and financing in the renewable energy, infrastructure, and resource fields.

> Daiwa Energy & Infrastructure Co., Ltd. □

## **Renewable Energy Power Generation Projects**

DEI has been actively working on development of and business investment in renewable energy generation projects, taking advantage of the Daiwa Securities Group's network. In the solar power generation field, the 9 owned solar photovoltaic power plants whose construction has been completed as of May 2023 are all operating stably. The Tochigi solar photovoltaic power plant (51 MW) under construction is scheduled for completion in 2024.

In the biomass power generation field, DEI has been steadily promoting the development of wood biomass power generation plants

Governance / Social /

Social Contribution

Environment / Others

that use tree trimmings in Japan as their primary source of fuel. The development is underway with Green Thermal Co., Ltd., with which DEI has formed a capital and business alliance. The commercial operation of a plant in Yonezawa, Yamagata began in January 2018 as the first alliance project, and a plant in Kamitonda, Wakayama as the second project also began operation in June 2020. The plant in Kai, Yamanashi, which is under construction as the third project, is scheduled to be completed in 2023.

#### Stations developed/ invested in by DEI

	Photovoltaic power stations	Biomass power generation plant
Output	<ul> <li>Stations in operation: Approx. 138 MW (total for 9 stations)</li> <li>Stations under construction: Approx. 51 MW (total for 1 station)</li> </ul>	<ul> <li>Stations in operation: Approx. 13 MW (total for 2 stations)</li> <li>Stations under construction: Approx. 7 MW (total for 1 station)</li> </ul>
Total	Approx. 189 MW	Approx. 20 MW
Projected amount of electricity generated annually: * Total generation from operating power plants	Equivalent to the amount for approximately 46,000 households	Equivalent to the amount for approximately 25,000 households

## Initiatives for the Woody Biomass Power Generation Field

DEI has formed a capital and business alliance with Green Thermal, a leader in the development and operation of woody biomass power generation plants, and Biomass Fuel Co., Ltd., a biomass fuel supplier. It has been actively promoting the construction of power plants and the expansion of its value chain in the biomass field.

In collaboration with Biomass Fuel, DEI has been working to expand the procurement of palm kernel shell (PKS) - fuel for biomass power generation - and develop wood pellet manufacturing plants mainly in Southeast Asia. Preparations are currently underway for the construction of a new pellet plant in Vietnam.

The woody biomass power generation business uses carbon-neutral power generation facilities that do not affect the amount of carbon dioxide. Moreover, since it adds new value as fuel to wood trimmings from forests and PKS that have been left and discarded, it is expected to generate new industries and employment and contribute to local economies in Japan as well as the development of industry in developing countries.

## **Private Core Solar Fund**

DEI offers DSREF Core Amaterasu Fund, Investment Limited Partnership (hereinafter, "Amaterasu") as a vehicle to invest in brownfield solar power projects in Japan. The fund was originally established by Daiwa Real Estate Asset Management. DEI plans to provide stable-operating solar power plants to Amaterasu.

The Group will develop a capital recycling model in the renewable energy sector by combining DEI's investment and financing function with Daiwa Real Estate Asset Management's infrastructure asset management function. The Group will continue these initiatives to meet the needs of investors in alternative assets.

Governance / Social

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Social Contribution
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Environment / Others

# Daiwa Food & Agriculture Co., Ltd.

# Promotion of Sustainable Agricultural Production Business

Japan's agricultural business faces various social issues, such as the aging of people engaged in farming, a decreasing number of new farmers, shortages of successors, and an increase in abandoned farmlands.

Daiwa Food & Agriculture Co., Ltd. (DFA), which was established in November 2018, will contribute to solving various issues faced by Japan's agriculture and food-related businesses, such as expansion of scale and increase in efficiency of the agricultural production business and new business initiatives, through the provision of risk capital.

> Daiwa Food & Agriculture Co., Ltd. ( Japanese only ) 🗇

## Agricultural Production Initiatives Using Large-scale Horticultural Facilities

Following on from the large-scale cultivation of tomatoes in Kusu, Oita, DFA entered the paprika production and sales business in October 2021 as a new agricultural production business. By farming in state-of-the-art environmentally controlled greenhouses, DFA has become one of Japan's leading centers of paprika production.

By taking advantage of cultivation using large-scale horticultural facilities and its expertise in operating such facilities, DFA will continue to pursue expansion of scale and increase in efficiency of agricultural production, thereby engaging in business that contributes to the stable supply of food in Japan and overseas and to the revitalization of local economies.



Paprika production farm that boasts one of the largest cultivation areas in Japan



Paprika at harvest time

# Good Time Living Co., Ltd.

Securing nursing care services of high quality is an important social issue to be addressed in Japan's super-aging society. Good Time Living is developing an environment where the staff can demonstrate their expertise and improving the nursing care quality by utilizing network communications to improve work efficiency.

Governance Social

Social Contribution / Env

Environment / Others

# Provision of High-Quality Nursing Care Services

Good Time Living is working to improve service quality with an emphasis on communication and reduce the amount of labor spent on indirect operations by using network communications to share information and knowledge among caregivers. By switching from old paper records to mobile devices, records on the health and daily life of residents of care facilities are input in a timely manner. Coordinating information among multiple professions helps to provide services tailored to the individual, such as environmental improvements and reviews of types of nursing care provided. LINE WORKS, a business chat tool, has been introduced at all locations, aiming to further strengthen staff communication that will provide residents more safety and a peaceful mind. In order to change the current state of nursing care services to address the progressive aging of the population, Good Time Living will further increase operational efficiency on the nursing care frontline and develop an environment that allows nursing care staff to demonstrate their expertise. The company will thereby contribute to the achievement of SDG Goal 3 "Good Health and Well-being" and Goal 8 "Decent Work and Economic Growth."

ightarrow Good Time Living Co., Ltd. ( Japanese only )  $\ \square$ 

# Specific Case of IT Use

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Example of [Notes] screen of LINE WORKS business chat tool

Communication and information sharing about residents between staff members, traditionally done verbally or in writing, is digitized. The tool can convey information more quickly and reliably. It also facilitates active communication across job boundaries, including caregivers and nurses. Important points to consider when giving care to each resident and other various knowledge is also accumulated and shared between different professions, leading to more attentive services.



CareWiz Toruto, an AI service for analyzing physical functions

We utilize CareWiz Toruto, a physical function analysis AI service, to measure the effectiveness of rehabilitation programs.

When a person is video recorded walking a distance of about 5 meters, the video is analyzed in about 2 minutes. The walking condition is scored in four indicators: speed, rhythm, reeling, and leftright difference. Measurement results are output on a single sheet, enabling more specific and timely feedback to residents and their families.

#### Feedback from residents and staff

- It is specific, easy to understand, and easy to compare with previous results. (Resident)
- I was surprised to find that I could walk straighter than I thought I could. (Resident)
- Toruto analysis with and without a cane showed that the resident could walk more stably with a cane, leading to more personalized care. (Caregiving staff member)



Example of Monitoring Assistance system display on PC screen

Body motion sensors are placed under the bed mattress to detect body movements (such as rolling over, heartbeat, breathing) of residents in bed. We have begun to create an environment where residents' conditions (measurement results) can be monitored using mobile devices and other devices.

The aim is to reduce staff workload and provide better services to residents by understanding and monitoring changes in the residents' physical conditions based on the measurement results. Message from CEO

Our strategy for Sustainability Sustainability in Our Business

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Management of resident data with mobile devices carried by staff

Data on residents' health and lives, which used to be handwritten by care-giving staff members, is now entered into the care-giving record system. The system automatically creates progress graphs using vital data such as temperature and blood pressure. It has also made it easier to retrieve recorded data and reduced indirect work.

#### Feedback from staff

- We didn't have enough opportunities to look at care given by other staff members, but we are now able to learn points for good care by looking at records.
- CARE KARTE has reduced the time required for recording data, enabling us to increase time for conversation with residents.



Face recognition system with a thermography camera

When a person stands in front of the thermography camera, the system shows the person's temperature and registered name.

\* The person can be identified even when wearing a mask

Good Time Living has set up a thermography camera equipped with face recognition AI in a windbreak chamber. When a person enters the building, the face recognition system conducts temperature measurement and identifies whether or not the person is registered. The automated door is then opened and closed. Thermography cameras with the same specifications are also placed inside the rooms to prevent residents from going out alone if it is inadvisable for them to go out on their own due to their physical conditions.

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A screen of the smartphone portal site exclusively for residents and their families

Good Time Living established this portal site to facilitate the provision of information and enhance the convenience of residents and their families. The site has enabled the company to provide, in a timely manner, information on invoices and payment receipts, various notices, and crisis management information that used to be given by posting notices in the building or individually giving or mailing letters. The portal site is expected to help reduce monthly administrative work by 400 hours per facility (in the case of a facility with 80 rooms).

A new [Photo Gallery] function was also added. Families of residents can freely view photos of the daily life and activities in care facilities at any time, which helps to foster their sense of security.

# Feedback from residents' families (Photo Gallery function)

• I was happy to see the residents enjoying their time with the staff members.

# Daiwa Corporate Investment Co., Ltd.

# Creation of Next Generation Industries and Services

Daiwa Corporate Investment Co., Ltd., a venture capital firm of Daiwa Securities Group, helps to solve social issues through investment in ventures, thereby contributing to the realization of a sustainable society.

Daiwa Corporate Investment manages multiple venture funds that invest in ventures. Some of these funds are strongly related to the SDGs, such as funds specializing in biotechnology and an environmental fund managed jointly with a Chinese environmental firm. The firm incorporates an SDGs perspective into its investment activities for other funds as well, such as selection of investee companies and management support provided after investment. In recent years, Daiwa Corporate Investment has been especially strengthening efforts to relate its activities to the SDGs due in part to an increase in the number of entrepreneurs who have a strong awareness of solving social issues.

Others

Sustainability in G

Governance Social

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Social Contribution
Activities
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Environment /

> Daiwa Corporate Investment Co., Ltd. 🗇

# Investing in Ventures That Solve Social Issues (FY2022)

Daiwa Corporate Investment invests in many ventures. They include many companies related to the SDGs as shown below.

• Cardio Intelligence (Japanese only) 🗇 (DVGF) : An AI diagnostic support system developed for the early detection of atrial fibrillation based on electrocardiogram data

• Cell Fiber 🗇 (DVGF): A cell mass production technology developed for cell therapy applications based on the core technology of "cell fiber" to form cords cell clusters.

• Sonire Therapeutics 🗇 (DVGF): A next-generation high-intensity focused ultrasound (HIFU) therapeutic device for refractory pancreatic cancer.

## **CECEP Environmental Fund**

In October 2020, in collaboration with the China Energy Conservation and Environmental Protection (CECEP) Group, China's only stateowned company specializing in the environment, Daiwa Corporate Investment established a fund in Wuhan, Hubei Province, to invest in environment-related companies in China. The fund aims to contribute to the SDGs, and is engaged in investment business based on the principles of the Chinese government's policy to protect the Yangtze River. In 2022, the fund received an investment from the China National Green Development Fund, a joint fund established by the Chinese central government (Ministry of Finance, and Ministry of Ecology and Environment) and the Shanghai Municipal Government, bringing the current total investment fund to approximately 6.5 billion yen as of May 31, 2023. The fund mainly invests in unlisted Chinese blue chips in the fields of energy conservation, the environment, circular economy, new energy, new materials, and equipment manufacturing. It invested in the following companies in FY2022:

• Anhui Yingfa Ruineng Technology Co., Ltd. (Tianchang, Anhui Province): Manufacture of photovoltaic cells

• Hunan Yacheng New Materials Co., Ltd. ( Chinese only ) 🗇 (Changsha City, Hunan Province): Manufacture of lithium battery materials

Through investment in these companies, among the 17 SDGs, Daiwa Corporate Investment aims to make concrete contributions to Goal 6 Clean Water and Sanitation,, Goal 7 Affordable and Clean Energy, and Goal 9 "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation."

# Investment in Drug Development Ventures and Other Businesses by DCI Partners

DCI Partners is a venture capital firm that has been investing in the biotech field for more than 20 years, including the period of NIF Ventures (now Daiwa Corporate Investment). The firm currently manages two of Japan's largest bio-venture funds, making investments in Japan and Taiwan. In addition to existing bio-venture investments, the firm may expand the scope of investment to the many promising drug candidates that exist in pharmaceutical companies and academia, establish companies under the direction of the fund, and promote the drug development business. Leveraging its human resources, expertise, and financial strength of the fund to

Governance Social

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provide managerial resources through the fund, DCI Partners is committed to advancing development beyond hands-on support, from strategy planning to implementation. The government's Five-Year Plan for Developing Startup Businesses, formulated in November 2022, includes a plan to strengthen support for drug-development ventures. Under this Plan, a project to support the development of practical applications of new drugs started in cooperation with approved venture capital firms. This field is expected to flourish greatly in the future. DCI Partners was selected as an accredited venture capital firm. The majority of new drugs developed in recent years have been developed by bio-ventures. DCI Partners will support these companies through its investment activities and strive to build a foundation for industry and technological innovation and contribute to the health of all people and society.

> DCI Partners Co., Ltd. 🗇

## Taiwan-Japan Bio Venture Fund

DCI Partners is a venture capital firm that invests in biotech startups in Japan and Taiwan, with a focus on drug development. It manages one of Japan's largest bio-venture investment funds. Following Fund I, established in January 2015 with a total capital of ¥11.6 billion, Fund II was established in December 2020 with a capital commitment of ¥15.3 billion.

# DCI Partners' Major Investees

• Surv BioPharma (Japanese only)  $\Box$ : A biopharmaceutical company founded in August 2022 under the leadership of a fund managed by DCI Partners, which utilizes research results from Kagoshima University to develop innovative cancer drugs.

• Tims 🗇 (listed on TSE Growth Market on Nov. 2022): A company that develop drugs for cerebral infarction.

# The Great East Japan Earthquake SME Reconstruction Support Fund

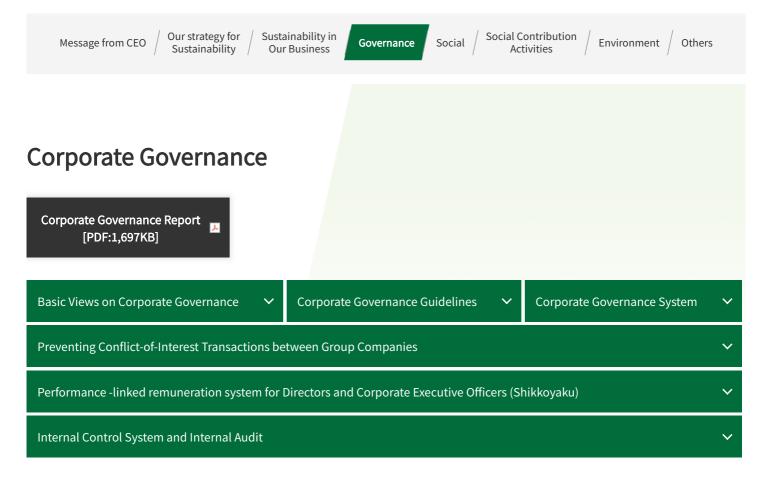
Daiwa Corporate Investment Co., Ltd. operates the Great East Japan Earthquake SME Reconstruction Support Fund, receiving investment from the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SME Support, Japan), The Aomori Bank, Ltd., The Bank of Iwate, Ltd., The 77 Bank, Ltd., The Toho Bank, Ltd., and other institutions. Targeting unlisted private companies in the disaster-affected areas, the fund aims to expeditiously provide risk finance. The goal is to actively support companies in their efforts to secure renewed growth and development by supplying finance for a variety of purposes. These include restoration and reconstruction following the 2011 earthquake disaster, new business development, the shift to a new industry or line of business, business reorganization and succession, and business incubation. The fund thereby aims to contribute to the early restoration and sustainable development of the disaster-affected areas.

# Daiwa ACA HealthCare Inc.

> Daiwa ACA HealthCare Inc. ( Japanese only ) 🗇

# **Daiwa ACA Business Succession**

> Daiwa ACA Business Succession Fund [PDF:151KB] 😕



# **Basic Views on Corporate Governance**

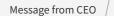
Daiwa Securities Group Inc. will respect the rights and interests of the shareholders, consider the position of all stakeholders and strive for sustainable growth and improvement of medium to long term corporate value through realization of our corporate principles "Building trust," "Placing importance on personnel," "Contributing to society," and "Maintaining healthy earnings results."

For that purpose, the Company practices group management based on a holding company structure, establishes a highly transparent and objective governance environment that conforms to international standards, realizes highly efficient oversight of group companies and builds a unified group management system that elicits synergies among group companies.

The Company has adopted Three Committees system (a company with nominating committee, etc.) as an institutional design in order to supervise management through the following (1) and (2).

- (1) Making swift and decisive decisions by having the Board of Directors assign wide-ranging authority to Corporate Executive Officers and clarifying the division of the duties among Corporate Executive Officers
- (2) Improving transparency and fairness of the management by establishing three committees: the Nominating Committee, Audit Committee, and Compensation Committee with highly independent Outside Directors as a majority of the members

Furthermore, the Company positively addresses corporate social responsibility activities in order to obtain trust from all of the stakeholders. There are indeed various aspects to corporate social responsibility, such as providing superior products, services, and sincere responses to customers; returning profits appropriately and disclosing information to shareholders appropriately; taking measures for labor environment and evaluation of the employees; establishing legal compliance and corporate ethics; environmental management; as well as social contribution.



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Others

The Company believes that these approaches, together with a strengthened corporate governance system which emphasizes transparency, mobility and efficiency will lead to the sustainable improvement of the corporate value.

# **Corporate Governance Guidelines**

The Company's Corporate Governance Guidelines define the basic framework and policies of the Daiwa Securities Group's corporate governance.

Daiwa Securities Group Inc. Corporate Governance Guidelines									
<ul><li>Preamble: Purpose of our corporate governance</li><li>Article 1: Basic approach to corporate governance and the positioning of these Guidelines</li></ul>	<ul><li>Article 13: The role of Corporate Executive Officers (Shikkoyaku)</li><li>Article 14: The role of the Nominating Committee</li></ul>								
<b>Article 2:</b> Organizational design (adoption of a Three Committees system)	<b>Article 15:</b> Succession plans for the position of CEO <b>Article 16:</b> The role of the Compensation Committee								
<ul><li>Article 3: Role of the Board of Directors</li><li>Article 4: Composition of the Board of Directors</li><li>Article 5: Chair of the Board of Directors</li></ul>	Article 17: The authority and role of the Audit Committee Article 18: Internal control systems								
<ul><li>Article 6: Composition of the Committees</li><li>Article 7: Agenda setting and management of Board of</li></ul>	<ul><li>Article 19: Information disclosure</li><li>Article 20: Securing equality of shareholders</li><li>Article 21: Related party transactions</li></ul>								
Directors meetings Article 8: The role and requirements of Directors Article 9: The role and requirements of Outside Directors Article 10: The Outside Directors' Committee	<ul> <li>Article 22: Dialogue with shareholders and investors</li> <li>Article 23: Dialogue with stakeholders</li> <li>Article 24: Basic policy on strategic shareholding</li> <li>Article 25: Amendments to and revocation of the Guidelines</li> </ul>								
<ul> <li>Article 11: Support systems for Directors (including the provision of information and training)</li> <li>Article 12: Evaluating the effectiveness of the Board of Directors</li> </ul>									

Corporate Governance Guidelines (as of June 1, 2023) Complete Text

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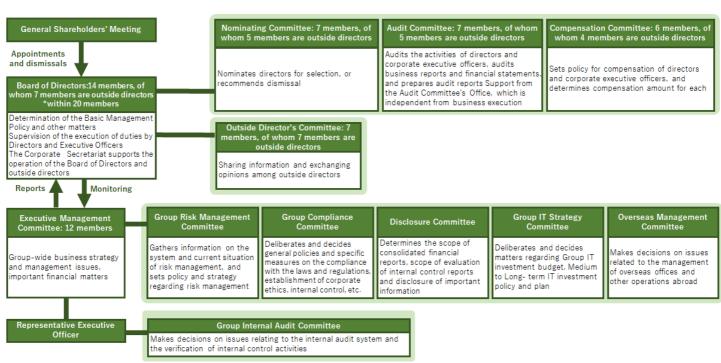
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Environment / Others

# **Corporate Governance System**

The corporate governance system of the Company consists of the Board of Directors and the Three Committees (Nominating Committee, Audit Committee, and Compensation Committee) as a supervising body, Outside Director's Committee as a subcommittee of the Board of Directors, Executive Management Committee and its subcommittees (Group Risk Management Committee, Group Compliance Committee, Disclosure Committee, Group IT Strategy Committee, and Overseas Management Committee) as an executive body, and Group Internal Audit Committee, which is in direct control of the CEO as an internal audit body.



## Corporate Governance System at Daiwa Securities Group (as of June 28, 2023)

# Board of Directors and Committees: Roles, Duties, Composition and Activities

For roles, duties, composition and activities of the Board of Directors and the Committees, refer to:

- > Corporate Governance Report
- > Securities Reports
- > Daiwa Securities Group Integrated Reports
- > Sustainability Data Edition



Our strategy for / Sustainability in Our Business

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Environment Others

List of	Items	Corporate Governance Report	Securities Report
Board of Directors	Role and responsibility	•	•
	Members and their status of attendance	•	•
	Evaluating the effectiveness of the Board of Directors	•	
Nominating Committee	Role and responsibility	•	•
	Composition	•	•
	Members and their status of attendance	•	•
	Nomination policies, etc.	•	•
Audit Committee	Role and responsibility	•	•
	Composition	•	•
	Members and their status of attendance	•	•
	Audit Committee's activities	•	•
Compensation Committee	Role and responsibility	•	•
	Composition	•	•
	Members and their status of attendance	•	•
Outside Directors' Committee	Role and responsibility	•	•
Executive Management	Role and responsibility	•	•
Committee	Composition	•	•
	Subcommittees	•	•
Group Internal Audit	Role and responsibility	•	•
Committee	Composition	•	•

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## The Skill Matrices of Internal Directors

	Title	and charge in t	he Company		Years on Board	Corporate management	Finance / Accounting	Legal / Compliance	DX / ICT	Global business
Takashi Hibino	Chairperson of the Board and Corporate Executive Officer	Nominating Committee		Compensation Committee	19 years					•
Seiji Nakata	Member of the Board, Representative Corporate Executive Officer, President and CEO	Nominating Committee		Compensation Committee	8 years					
Toshihiro Matsui	Member of the Board, Representative Corporate Executive Officer, Deputy President and COO, Head of Wholesale				7 years					
Keiko Tashiro	Member of the Board, Corporate Executive Officer and Deputy President, Executive Head of Overseas Operations, Head of Sustainability and Think Tank				9 years				•	
Akihiko Ogino	Member of the Board, Corporate Executive Officer and Deputy President Executive Head of Corporate Planning and Human Resources				3 years					
Sachiko Hanaoka	Member of the Board		Audit Committee		4 years					
Hiromasa Kawashima	Member of the Board		Audit Committee		3 years					

Others

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## The Skill Matrices of Outside Directors

	т	itle and charge in t	the Company		Number of years in office	Corporate management	Finance / Accounting	Legal / Compliance	DX / ICT	Global business
Hirotaka Takeuchi	Outside Director	Nominating Committee		Compensation Committee★	7 years	•				•
Ikuo Nishikawa	Outside Director		Audit Committee★	Compensation Committee	7 years		•			
Eriko Kawai	Outside Director	Nominating Committee		Compensation Committee	5 years		•			•
Katsuyuki Nishikawa	Outside Director	Nominating Committee	Audit Committee		4 years			•		
Toshio Iwamoto	Outside Director	Nominating Committee★		Compensation Committee	3 years	•			•	•
Yumiko Murakami	Outside Director		Audit Committee	Compensation Committee	2 years	•				•
Noriko Iki	Outside Director	Nominating Committee	Audit Committee		0 years			•		•

★ indicates a Chairperson of the committee

# Preventing Conflict-of-Interest Transactions between Group Companies

Conflict-of-interest transactions can occur between Daiwa Securities Group Inc. and Group companies in situations such as intra-Group transactions. Daiwa Securities Group applies rules regarding conflicts of interest stipulated by Japan's Companies Act to the Executive Management Committee as well as the Board of Directors. Conflicts of interest between Daiwa Securities Group Inc. and Group companies are appropriately prevented through a rule prohibiting an executive officer from voting when he or she concurrently serves as an officer of an interested Group company and thus has a special interest in a matter to be decided.

# Performance -linked remuneration system for Directors and Corporate Executive Officers (Shikkoyaku)

At Daiwa Securities Group, Inc., as stipulated by the Companies Act, the Compensation Committee has determined "Policies for Determination of Remuneration of Directors and Corporate Executive Officers."

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#### t / Others

## Policies for Determination of Remuneration of Directors and Corporate Executive Officers

Compensation for Directors and Corporate Executive Officers is based on the following fundamental policies.

- To create effective incentives, which contribute to the increase of shareholders' value through sound business development and also lead to the improvement of business performance in the short-term and in the medium/long-term.
- To maintain a remuneration level which is competitive enough to recruit and retain people not only in Japan but also in the world as a global securities company group.
- To ensure the execution and supervision functions operate effectively as a company with Three Committees (a company with nominating committee, etc.).

Remuneration of Directors and Corporate Executive Officers consists of base remuneration, Performance-linked remuneration and Stock-linked remuneration, and determined at the Compensation Committee which are specifically as below.

- Base remuneration
  - A fixed amount calculated based on his/her position, duties and role, and paid monthly and in cash.
- Performance-linked remuneration
  - Determined depending on the level of individual contribution, mainly on the basis of consolidated ROE and consolidated ordinary
    income, which are set as Performance KPIs of the Medium-Term Management Plan, while also comprehensively taking into account
    achievement status of the managerial goals set in the Medium-Term Management Plan and the other relevant factors and provided at a
    certain time every year.
  - A certain limit is set for the cash payment regarding performance-linked remuneration based on business performance. If performance-linked remuneration exceeds the limit, the part exceeding the limit will be replaced from cash to restricted stock.
  - It does not apply to Directors who do not serve as Corporate Executive Officers.
- Stock-linked remuneration
  - To increase the link between remuneration and shareholders' value, the Company grants, as stock-linked remuneration, restricted stock, etc., the value of which corresponds to a certain percentage of base remuneration as non-monetary remuneration at a certain time every year.
  - It does not apply to Outside Directors.

< Performance-linked remuneration >

The Company refers to KPIs, which are set as the Group numerical goals in the Medium-Term Management Plan "Passion for the Best" 2023 to calculate Performance-linked remuneration.

The performance assessments used in calculating Performance-linked remuneration reflect the financial performance evaluation, which is based on the Performance KPIs using the financial information and the quality evaluation, which is a comprehensive assessment of the KPIs other than the performance KPI. The Financial Performance Evaluation and the Quality Evaluation are determined by the Compensation Committee.

Performance-linked remuneration is calculated by multiplying the reference amount determined for each position and the performance evaluation, and reflecting the degree of individual contribution. The same calculation formula is applied to all positions for performance evaluation.

The indicators pertaining to Performance-linked remuneration are as shown below.

I	Message from CEO	Our strateg Sustainab	gy for / ility /	Sustainal Our Bus			cial Contribution / Environmen Activities / Environmen	nt / Others
		Financial Evaluati			±	Quality Evalution (- 1 0 ~ +		Actual Results
			Points	Reference Value (Note 1)				
	Performance KPIs	Consolidated ROE	50	10%				4.6%
Fina		Consolidated Ordinary Income	50	JPY 200 billion				86.9 billion yen
Financial KPIs	Hybrid					Hybrid-related ordinary income	JPY 50 billion or more	45.0 billion yen
KPIs	KPI					Hybrid-related ordinary income percentage	Approximately 25%	52%
	Financial KPI					Consolidated capital ratio	Maintain 18% or higher (lower gradually since regulation applied)	21.3% (Note 2)
	Quality No.1 (Customer-first)					Retail Division asset based revenue ratio	50% or higher (FY2023 4Q)	51.2%
	KPI					Daiwa Securities AUM	JPY 90 trillion or more	74.7 trillion yen
	Digital KPI					Number of Digital IT Master	200 personnel or more	92 people
	Digital Ki I					Number of certified Python3 engineers passed the basic certification exam	1,000 personnel or more	1,036 people
No						Number of CFP and CMA	3,000 personnel or more	3,019 people
Non-Financial KPIs						Balance of investment SDGs-related business	JPY 150 billion or more	130.5 billion yen
ncial K						SDGs bond league table	In top 3	2
Pls	Sustainability KPI					"Ouen (Supporting)" term deposits balance	JPY 200 billion or more	148.2 billion yen
						Ratio of women on the board of directors	30% or higher (by 2030)	28.6%

Ratio of women in management

Employee satisfaction

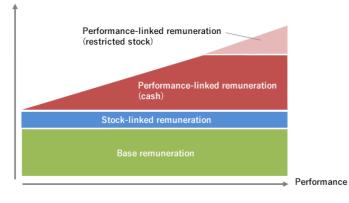
(Notes) 1. Reference Value is determined at Compensation Committee, based on Medium-Term Management Plan.

positions

2. The figure of consolidated total capital adequacy ratio is as of the end of December 2022.

#### < Image of remuneration >

#### Remuneration amount



In order to foster a system that incentives long-term performance improvement and sustainable growth better, if Performance-linked remuneration exceeds a certain limit, the excess amount will be paid in the form of by restricted stock.

25% or higher (FY2025)

Maintain at 80% or higher

19.9%

95%

< Restricted Stock Compensation Plan >

The Company introduced the Restricted Stock Compensation Plan to increase incentives for the Company and its subsidiaries'

Message from CEO

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Directors, Corporate Executive Officers (Shikkoyaku), and Executive Officers (Shikkoyakuin), etc., to enhance performance in the medium and long term and strengthen values shared among the Eligible Officers, etc. and shareholders.

Under a Restricted Stock Compensation Plan, the Company has introduced the malus provisions. If Eligible Officers commit a serious criminal offense, a breach of duty of care, or any other misconduct that damages the Group's reliability during the restriction period, the Company will automatically acquire subject stocks without compensation.

Stock Remuneration I (Stock-linked remuneration)	It is intended to provide restricted stock for amount which equals to fixed ratio of the Base remuneration, and to function effectively as an incentive for long-term performance improvement, restriction will be released when he/she resigns he/her position as director, officers etc., of the Company and its subsidiaries and affiliates.
Stock Remuneration II (Performance-linked remuneration)	Fixed limit is set for Performance-linked remuneration, which is provided by cash based on the performance, and if the amount exceeds the limit, part of the remuneration will be replaced by restricted stock. Restriction period is 3 years, it will function as substantial fee defer when Performance-linked remuneration exceeds a certain limit.

< Consolidated Compensation, etc. by officer for FY2022 >

Unit: millions of yen

	Total			Value of consolidated compensation, etc. by type						
Name	consolidated compensation, etc.	Type of officer	Company name	Base remuneration	Restricted stocks	Performance- linked remuneration	Retirement benefits			
Takashi Hibino	190	Corporate Executive Officer	Daiwa Securities Group Inc.	69	23	50	-			
			Daiwa Securities Co. Ltd.	46	-	-	-			
Seiji Nakata	213	Corporate Executive Officer	Daiwa Securities Group Inc.	69	23	73	-			
			Daiwa Securities Co. Ltd.	46	-	-	-			

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Toshihiro Matsui	149	Corporate Executive Officer	Daiwa Securities Group Inc.	61	17	45	-
			Daiwa Securities Co. Ltd.	25	-	-	-
Keiko Tashiro	111	Corporate Executive Officer	Daiwa Securities Group Inc.	46	13	31	-
			Daiwa Securities Co. Ltd.	20	-	-	-
Akihiko Ogino	111	Corporate Executive Officer	Daiwa Securities Group Inc.	46	13	31	-
			Daiwa Securities Co. Ltd.	20	-	-	-
Shinsuke Niizuma	110	Corporate Executive Officer	Daiwa Securities Group Inc.	19	13	-	-
			Daiwa Securities Co. Ltd.	46	-	30	-

#### (Notes)

1. The persons, each of whose total remuneration, etc., paid is equal to or more than 100 million yen, are listed above.

- 2. Type of officer refers to the officer categories used by Daiwa Securities Group Inc.
- 3. Officers serving as both Directors and Corporate Executive Officers are listed as Corporate Executive Officers in the type of officer column.
- 4. Performance-linked remuneration does not include the amount granted as Restricted Stock.

#### < Procedures on decision of remuneration for Directors >

The Articles of Incorporation stipulate that the remuneration, etc., of the Directors and Corporate Executive Officers (Shikkoyaku) is determined by the resolution of Compensation Committee.

In determining the amount of remuneration, it is calculated based on the indicators determined by Compensation Committee, majority of which is held by Outside Director to secure the transparency.



\*In addition to above, Compensation Committee is held from time to time.

# Internal Control System and Internal Audit

The Company group has created management structure centered on the Company with regard to the group's various main risks, and seeks to ensure the effectiveness and efficiency of operations, the reliability of the finance report, compliance with the laws and regulations concerning business operations, and the preservation of assets, etc. This is based on the recognition that the maintenance of the internal control system to accomplish the sound and appropriate operation is the responsibility of the manager.

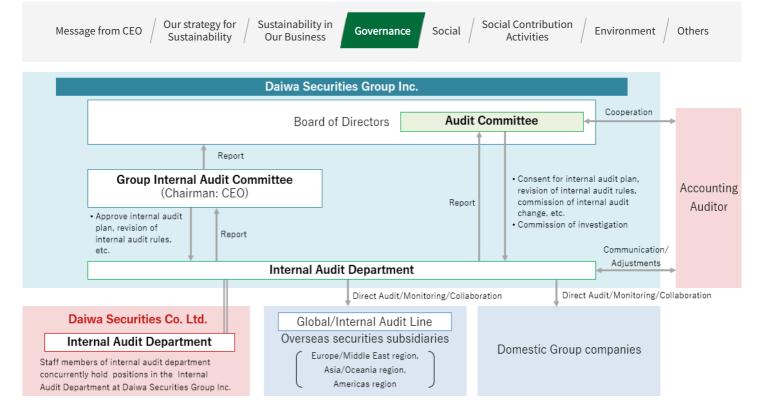
Based on the recognition that the establishment of a sound and efficient internal audit system enhances the value of the Group, and having concluded that the internal audit plays an important role in such a system, the Company has positioned a full-time Internal Audit Corporate Executive Officer (Shikkoyaku) in charge, and has an Internal Audit Department, which is independent from other sections, verify the internal control system.

By conducting risk-based audits, the Department strives to enhance the Group's corporate value.

#### Focus items in the internal audits of the Group's

- The state of internal control at Daiwa Securities and overseas locations as a global financial instruments business operator
- The state of businesses at Group companies, and the state of control from the Company

#### Diagram of Daiwa Securities Group's Internal Auditing System



## Authorization of Plans and Reporting of Results

Internal audit plans are subject to approval by and results of the audits are presented to the Group Internal Audit Committee. Furthermore, internal audit plans shall be consented to by the Audit Committee or the Selected Audit Committee Members who has been given certain authority from the Audit Committee, and the results of the audits are also reported directly to the Audit Committee. Reports to the Group Internal Audit Committee are not limited to the audit results conducted at Daiwa Securities Group Inc. and Daiwa Securities Co. Ltd. They also include highly important findings made during audits conducted on companies in Japan and overseas.

## Collaboration with Parties Inside and Outside the Group and Improvement of System

The Company's Internal Audit Department collaborates with the internal auditing divisions of Group companies in Japan and overseas through regular meetings, monitoring, and audit activities.

The Company's Internal Audit Department is in close liaison with the Audit Committee and Accounting Auditors and make adjustments with them in order to carry out auditing efficiently. The Department may also be delegated investigative duties from the Audit Committee. The degree to which these internal auditing activities satisfy the Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing," the global standard for internal auditing, is routinely evaluated by independent outside third parties. The Group thus strives to constantly improve its system.

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# Compliance

Daiwa Securities Group has four Corporate Principles. They are "Building trust," "Placing importance on personnel," "Contributing to society," and "Maintaining healthy earnings results." The Group believes that compliance is a significant element for achieving these principles. The goal of the Group's compliance activities is not merely to "comply with laws and regulations," but to earn the trust of customers, markets, society, and stakeholders.

**Compliance System** 

Information Security

# **Compliance System**

The Group Compliance Committee deliberates and decides general policies and specific measures on matters involving compliance with laws and regulations, establishment of corporate ethics, and internal control for the Group.

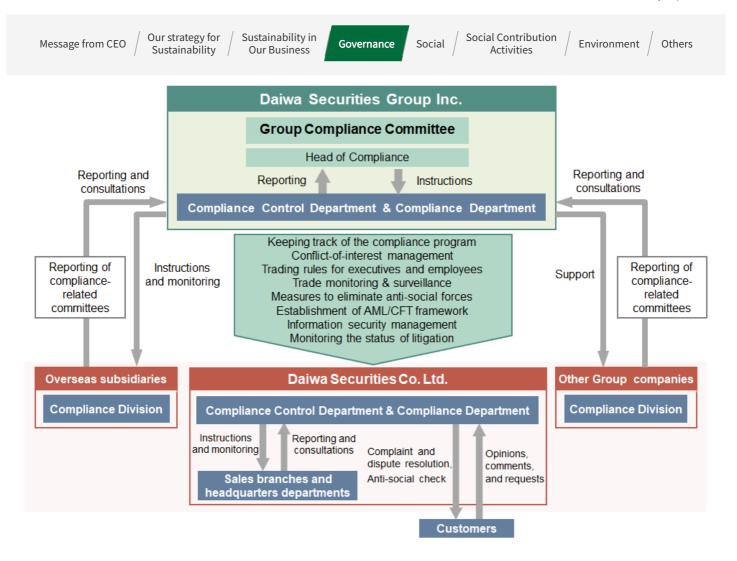
The Group is engaged in compliance risk management regarding three priority items that are common to all Group companies, namely securing market fairness and transparency, eliminating anti-social forces (including measures for combatting money laundering and terrorism financing), and information security.

At Daiwa Securities Group Inc., consist of the Compliance Control Department, which is responsible for overall compliance planning and formulation, and which serves as a market gatekeeper, and the Compliance Department, which is tasked with providing direction and support to the sales branches and headquarters departments and divisions, collaborate in improving and strengthening Groupwide compliance systems.

In addition to those at domestic Group companies, the Group also works closely with the compliance departments at overseas Group companies in order to build a global compliance system.

At Daiwa Securities, the Compliance Department monitors transactions and solicitation by sales branches, identifies challenges and issues, and visits sales branches to check their business status and provide instructions. The Department also regularly conducts onsite inspections. Moreover, it visits the work sites of headquarters departments and divisions directly, identifying issues and providing training support. The Customer Counseling Center, established within the Compliance Department, comprehensively handles customer feedback and complaints and reflects them in the business to improve customer satisfaction.

One of Daiwa Securities' strengths lies in its stationing of full-time internal administrators at all sales branches. These internal administrators serve as Compliance Managers and work to improve the effectiveness of the PDCA cycle (plan, do, check, act) at each sales branch. They also cooperate closely with the Compliance Department in an effort to build a solid compliance system.



# Full Implementation of "Customer-First"

Daiwa Securities is taking measures in line with the compliance program to ensure the effective operation of our internal control system and strict compliance of our sales activities with laws and regulations. For FY2023, we set up the pillars outlined below, maintaining "Customer-First" as the keyword, as in the previous fiscal year.

- 1. Full implementation of "Customer-First Operations"-pursuit of the greatest benefit to customers
- 2. Reinforcement of systems to prevent financial crimes
- 3. Ensuring of market fairness and transparency
- 4. Further upgrading of information management systems
- 5. Strengthening of compliance systems of overseas worksites

Daiwa Securities deals with various financial products, including stocks and investment trusts. When soliciting investment from customers, we ensure compliance with the principles of integrity and fairness, suitability, and self-responsibility, from the perspective of investor protection. We have adopted the practice of systematically providing continuous and thorough after-sale follow-ups, rather than leaving it to individual sales staff, especially when the market is trending downward. We believe that providing thorough, face-to-face explanations to customers and maintaining customer trust and a sense of security at times of market fluctuations are part of the practice of Customer-First for Daiwa Securities as a marketer of financial products. We will continue stepping up such initiatives going forward.

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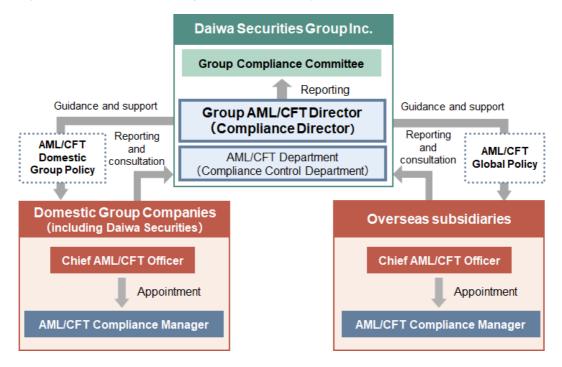
Activities

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# Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)

The importance of anti-money laundering and combating the financing of terrorism (AML/CFT) has grown worldwide. Daiwa Securities Group complies with laws and regulations related to AML/CFT, and works on reinforcement of the effective preventive system based on a risk-based approach as an important management issue to ensure that Daiwa Securities Group is not used for money laundering or funding terrorism.

At Daiwa Securities Group Inc., we have appointed a person in charge of supervising AML/CFT for the entire group, and have set up a supervising department to promote countermeasures. The "AML/CFT Domestic Group Policy" and "AML/CFT Global Policy," which constitute policies and operational guidelines for the AML/CFT management system, have been established, and domestic and overseas group companies have established each system in line with the policies.



#### <Overview of the AML/CFT Domestic Group Policy and the AML/CFT Global Policy>

- Periodic confirmation of customer information at the time of opening an account and after opening an account
- Identification and evaluation of risks related to ML/FT in the products and services provided by the company
- Implement risk mitigation measures such as continuous customer management, transaction monitoring, and suspicious transaction reporting
- Implementation of training for executives and employees regarding AML/CFT
- Auditing the adequacy of AML/CFT management system by internal audit

#### <Specific policies and procedures for AML/CFT>

Daiwa Securities conducts customer due diligence on all new customers before they can open an account with us. We confirm identity information, such as name, place of residence and date of birth, for individual customers and name and place of business for corporate customers (including identity information of the beneficial owners) in addition to confirming financial assets and the purpose of transactions. The identity information so obtained is then screened using our own database, public institutions' databases and overseas information provided by information vendors. As to existing customers, we regularly check for any matters of concern and

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conduct investigations if considered necessary. If a problem is detected, we may immediately suspend or terminate transactions. As a way to reduce risks, we conduct additional identification checks for customers who apply to open an account online or via other non-face-to-face means.

The abovementioned screening includes cross-checking the applicant against sanction lists furnished by Japanese and foreign government bodies as a measure to counter financing of terrorism. As for foreign politically exposed persons (PEPs), we confirm whether or not a person opening an account is regarded as a foreign PEP, and regularly verify that existing customers are not foreign PEPs using lists of foreign PEPs. If a person is determined to be a foreign PEP, we perform enhanced customer due diligence, such as confirming the person's asset and income status before each transaction, in addition to regular identity confirmation. We require that an approval be given by the AML/CFT manager for any transaction with a foreign PEP or with a customer residing in a high-risk country.

Documents related to AML/CFT such as evidence of identity are properly retained in accordance with laws and regulations of relevant countries and operational manuals of each business site. (Such documents are retained for seven years at offices in Japan pursuant to the laws of Japan.)

The Internal Audit Department conducts risk-based audits and evaluates the appropriateness and effectiveness of the management system for AML/CFT measures. The department has conducted such audits annually for the past three years.

# Securing the Fairness and Transparency of the Market-Prevention of unfair transactions such as insider trading

Daiwa Securities Group thoroughly complies with related laws and regulations, including insider trading regulations, to ensure market fairness and transparency. In accordance with the procedures stipulated by laws and regulations, we will properly conduct transactions with customers and our own transactions with a high awareness of compliance.

Daiwa Securities Group is working to secure the fairness and transparency of the market by means of preventing illicit transactions by customers and by Daiwa Securities itself.

To prevent illegal transactions by customers, Daiwa Securities identifies inappropriate deals that may have an excessive impact on the market, conducts screening procedures for such deals according to certain criteria, and issues an alert if necessary. Moreover, in order to prevent insider trading from occurring, we ask about customers' place of employment and positions within their companies before opening an account for them. This practice allows us to check transactions as soon as trading orders are placed by customers who are in a position to acquire insider information. We also check the past transactions retroactively when timely disclosure is made of important information.

To prevent illicit transactions by Daiwa Securities itself, we may impose restrictions on or require reviews of both proprietary trading and trading by executives and employees that do not meet prescribed criteria. We also strictly manage corporate-related information, including material facts of listed companies, to prevent insider trading. In addition, all executives and employees make an annual pledge to comply with relevant laws and regulations.

# Fostering Compliance Awareness

Daiwa Securities Group rigorously observes regulations and exercises self-discipline so that it can contribute to the sustainable growth of society while maintaining high ethical standards. We conduct training programs for new graduates when they join the Group, and continue through regularly scheduled training sessions throughout their careers, thus ensuring that every employee is aware of, and thoroughly understands, compliance issues.

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The Group trains its employees so that even when the Group pursues new business ventures in areas where the regulatory structure is incomplete, they can return to the basic approach of laws and regulations, act sincerely in light of socially accepted ideas and common sense, and maintain strong self-discipline and legal awareness.

As the basic standards in areas that should be fulfilled at a bare minimum, the Group has formulated Group Minimum Standards, and based on these standers, the Group aims to achieve a level of compliance awareness that exceeds the boundaries of business lines.

#### **Group Minimum Standards**

- Prevention of insider trading
- Elimination of anti-social forces
- Information security

The Group considers it extremely important for each employee to always maintain a high level of compliance awareness. We have therefore adopted a compliance-related program in training for new employees and a number of other internal training courses. We also give tests on compliance regularly through e-learning. At Daiwa Securities, we post a "Personal Information Check Test" every Monday on our intranet and also feature a monthly compliance-related topic on our internal TV program which is aired every morning. Moreover, at Daiwa Securities' sales branches, the branch chief and the internal administrator lead an initiative to provide training and instructions suited to each workplace on a daily basis. The branch chief also chairs a monthly compliance meeting in which all branch members participate. We have thus implemented various systems to keep the compliance awareness of all employees at a high level, and continue to foster awareness among employees.

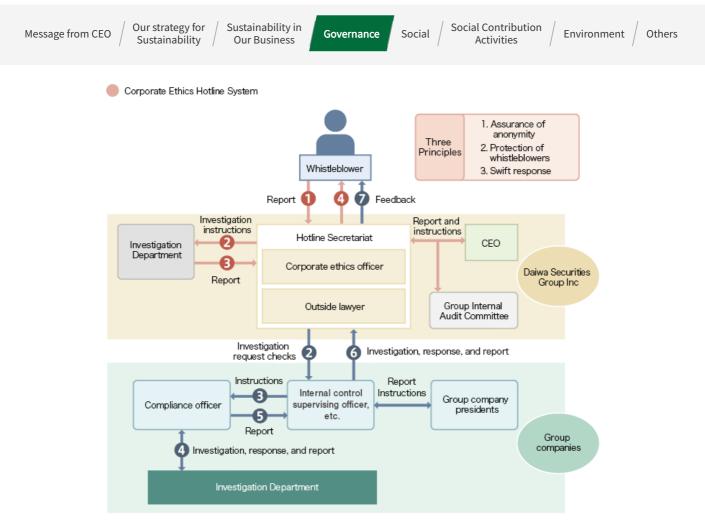
# Structure and Achievements of Whistleblowing System (Corporate Ethics Hotline)

In January 2003, the Group introduced a Corporate Ethics Hotline enabling reports to be made directly to Daiwa Securities Group Inc. corporate ethics officers or to outside lawyers. The hotline's primarily goal is the early detection and prevention of behavior that risks damaging the Group's corporate value. This includes violations of the Financial Instruments and Exchange Act and other laws, rules, and regulations. The whistleblowing system is available not only to executives and employees, including those working at affiliated companies and temporary workers, but also to anyone who works at the Group's offices.

In operating the system, the Group strives to protect whistleblowers and ensure their anonymity. The Group has a strict "no retaliation" policy that prohibits disadvantage of any kind (dismissal, demotion, pay cuts, cancellation of worker dispatch contracts, replacement, etc.) from being caused to the whistleblower for making the report. Group regulations also provide for the protection of whistleblowers, prohibiting people who have information on whistleblowers from being asked to disclose such information, and prohibiting inquiries into the identify of whistleblowers.

In terms of reporting methods, in addition to telephone and in-person reports, information can also be reported via the incident reporting page on the intranet and via email, allowing for reports to be made 24 hours a day, 365 days a year. When the hotline is contacted, the corporate ethics officer, in cooperation with the officer responsible for whistleblower response operations at each Group company, carries out a factfinding investigation, while taking steps to protect the caller. In FY2022, 64 reports were received through the whistleblowing system.

Overseas worksites have similar whistleblowing systems as in Japan, including the establishment of internal and external contact points with English-speaking personnel and the protection of whistleblowers.



\*(2) to (7) above only take place following requests from a Daiwa Securities Group Inc. Corporate Ethics Officer

# Matters to be reported; and number and breakdown of reports to Corporate Ethics Hotline (FY2020 to FY2022)

Mathematic	FY2020	FY2021	FY2022	
Matters to be reported		No. of reports	No. of reports	No. of reports
Harassment and other human	Workplace bullying	27	19	23
rights violations	Sexual harassment	2	5	3
	Maternity harassment	0	1	0
Compliance violations*	Violation of laws and regulations	6	1	3
	Information management	0	1	0
	Violation of internal rules	9	2	7
Workplace environment		9	15	14

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	FY2020	FY2021	FY2022		
Matters to be reported	No. of reports	No. of reports	No. of reports		
Etiquette and civility	3	0	1		
Expenses and costs	1	1	3		
Labor management (time management)	0	0	2		
Personnel and conditions	0	1	0		
Other	0	2	8		
Total	57	48	64		

\* internal rule violations, information management violations, corruption and bribery including excessive rewards or entertainments, violation of the Financial Instruments and Exchange Act and other laws, rules, and regulations

The Group seeks to ensure that anyone can use the Corporate Ethics Hotline without hesitation. To this end, it is working to raise awareness of the hotline via the Group newsletter and intranet, and making efforts to respond quickly when reports are received.

The Group is also taking steps to improve the hotline so that it operates not just as a measure to solve problems, but also as an effective deterrent to prevent problems before they occur.

## **Information Security**

We at Daiwa Securities Group have established basic standards (the Group Minimum Standards) for information security measures to protect personal information entrusted to us by customers in a safe and precise manner. In line with the Standards, each of the Group companies has formulated rules on the protection and handling of personal information and has established its own privacy policy.

To protect customers' information including their Individual Numbers, Daiwa Securities take appropriate security measures such as isolating such information physically, controlling access and applying encryption technology, depending on the type of information. We also in principle bans employees from taking personal information out of the company. When it is absolutely necessary to take information out of the workplace for business purposes, we require employees to obtain the prior approval of an internal administrator or other superior and to keep records of removal and return, thereby ensuring the strict management of such information. Similarly, we strictly manage the removal of personal information via email and external storage media while also monitoring for any unauthorized use. We also take information security measures for contractors. At the time of and after signing an outsourcing contract with a third party, we thoroughly check the information management structure of the contractor and conduct on-site visits to examine its practices, depending on the situation.

No matter how much information is systematized, however, a human element always remains. We therefore focus on providing training on information management to executives and employees to eliminate human error.

We have developed and implemented a reporting flow in the event that an information leakage incident occurs. Based on this flow, the department where the incident occurred immediately shares the incident with the information security administrator and reports to the department with responsibility for information management. The incident is then reported to the management, including the

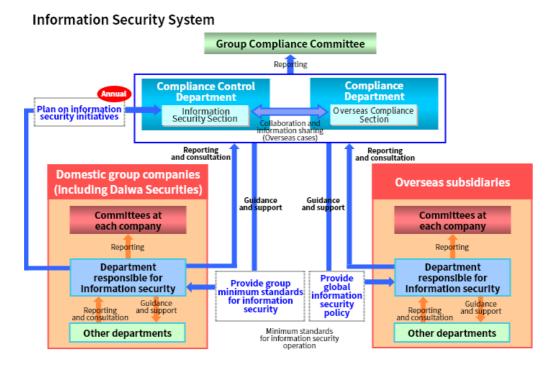


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officer who takes charge of overseeing information security. We deal resolutely with employees who have been involved in divulging information, such as by taking disciplinary action as determined by the Company, depending on the magnitude and maliciousness of the incident.



### Policy on Personal Information Protection and Security

Daiwa Securities Group considers that personal information is an important asset of individuals. We recognize that we have a heavy responsibility of appropriately protecting such information. Based on the Act on the Protection of Personal Information and other rules, we have established Privacy Policy, and comply with the Group's other rules, along with relevant laws and regulations. Recognizing the importance of personal information, we strive to appropriately protect and use customers' personal information.

Under the idea that the variety of information that we handle in business is an important asset, we have also established a policy to protect important information assets from various threats and maintain information security, as well as an emergency response policy. We implement appropriate risk management to reduce and avoid various risks, including confidentiality risk, integrity risk, and availability risk associated with information assets.

> Daiwa Securities Group's Privacy Policy

# Implementation of Risk Assessments and Audits Concerning Personal Information Protection

Daiwa Securities Group implements risk control self-assessments (RCSAs) as a framework for controlling operational risks. The RCSA is a process in which those who perform work identify, understand, and assess operational risks on their own, analyze those risks based on frequency of occurrence and impact, and evaluate and verify the efficacy of risk mitigation efforts. We implement RCSAs regularly at major Group companies and also conduct a risk assessment on the protection of personal information as part of the RCSAs. The assessment results are reported to the Group Risk Management Committee. In response to the assessment results, each company carries out self-inspections to reduce the risks identified during the RCSAs. For example, Daiwa Securities conducts a self-inspection

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every month in an effort to build a structure in which self-cleansing action operates at work sites. The organization responsible for internal auditing at each company (the Internal Audit Department of Daiwa Securities Group Inc. for some Group companies) conducts audits periodically from the standpoint of the third line of defense to check whether such RCSA initiatives function properly. Checks on the information security system of Daiwa Securities' sales branches are conducted by the Compliance Department, which is the second line of defense, during inspections at sales branches.

### Creation of Governance System Concerning Protection of Personal Information

Daiwa Securities Group has established operation standards for information security measures (Group Minimum Standards) for the purpose of appropriately controlling various risks pertaining to information assets, including personal information. Based on these operation standards, Group companies have developed rules on the protection and handling of personal information.

In addition, we have appointed the executive officer overseeing the Compliance Control Department as Group Information Security Manager to maintain and control the information security of the entire Group. We also place an Information Security Manager at each Group company to maintain and control the information security of their own company.

The Information Security Managers at Group companies report to the Group Information Security Manager as appropriate regarding the information management structure of their companies. The compliance division provides support to Group companies to strengthen the Group's information management structure. The status of information management structures at Group companies and support provided to them are reported to the Group Compliance Committee. In this way, Daiwa Securities Group is working to strengthen the information management structure of the entire Group.

## Training on Protection of Personal Information

Daiwa Securities Group provides a variety of training for all executives and employees to enable them to appropriately understand the handling of personal information and perform daily work based on relevant laws and regulations including the Act on the Protection of Personal Information, Group Minimum Standards for information security, and other related rules.

We provide training programs according to the position and years of employment of individuals, in addition to training for all employees. For example, we have programs for sales managers, internal administrators, and employees in their first to fifth year at the Group.

We handle a broad range of topics in training. Major topics include "Daiwa Securities Group's Information Security System," "Occurrence Trends of Information Leakage Incidents," "Disciplinary Action against Unauthorized Removal of Information," "Prohibited Matters in Use of Information Devices for Business Purposes," "Important Points When Using Emails," "Use of Social Media," and "Developing Awareness of Information Security." Through such training, we appropriately inform and raise the awareness of all executives and employees about the importance of building an information management structure and implementing initiatives for the protection of personal information.

### Policy on Incident Investigations and Responses

At Daiwa Securities Group, if an information leakage incident occurs or may occur, the department where the incident occurred or may occur immediately shares the incident with the information security administrator and reports to the department with responsibility for overseeing information security (the "Managing Department"). The incident is then shared with the Information Security Manager. Prioritizing the protection of customer information, the department where the incident occurred works to recover leaked information

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and informs the affected customers of the facts of the leakage under the instructions of the Managing Department. At the same time, the department also immediately conducts an investigation into the incident and implements other measures necessary to ascertain the cause of the incident and prevent it from recurring. The details of the investigation are reported to the Managing Department, which then informs all departments of the incident and issues a warning. In this way, we make Group-wide efforts to prevent recurrence. We deal resolutely with employees who have been involved in divulging information, such as by taking disciplinary action as determined by the Company, depending on the magnitude and maliciousness of the incident.

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## **Tax Policy**

In order to enhance tax corporate governance, Daiwa Securities Group has established "Daiwa Securities Group Tax Policy" which serves as a code of conduct and decision-making standards for taxation, and all Daiwa Securities Group companies in Japan and overseas shall comply with it.

## Daiwa Securities Group Tax Policy

#### 1. Compliance

Daiwa Securities Group fulfils its social responsibility by complying with laws and regulations (including their intent or spirit) of every country and region, and through appropriate tax payments with high ethical standards.

#### 2. Tax Planning

Daiwa Securities Group eliminates tax risks by eliminating double taxation through tax treaties and other means, optimizing tax expenses through appropriate use of preferential tax treatment, and conducting appropriate tax treatment in light of the tax regulations of each country and region.

In addition, Daiwa Securities Group does not engage in any inappropriate transactions without commercial substance for the purpose of tax avoidance. We do not transfer profits to low-tax countries or regions, or use tax havens for the purpose of tax avoidance.

#### 3. Transfer Pricing Taxation

For cross-border intragroup transactions, Daiwa Securities Group sets appropriate prices which comply with arm's length principles in accordance with the OECD Transfer Pricing Guidelines as well as tax laws and ordinances in each country and region.

#### 4. Appropriate Disclosure

Daiwa Securities Group provides transparent and appropriate disclosure of its tax policy and other tax-related information.

#### 5. Responsibility

Daiwa Securities Group regards tax risks as key management issues and its Chief Financial Officer (CFO) is responsible for all tax issues of the group. In addition, the CFO, executive officer in charge of Finance, and Head of Finance Department of Daiwa Securities Group Inc. from time to time provide guidance and advice to subsidiaries and other departments within the group as necessary, so that corporate governance over tax matters is shared and implemented throughout Daiwa Securities Group.

#### 6. Relationship to Tax Authority

Daiwa Securities Group maintains a relationship of trust with tax authorities by responding to them in a cooperative and honest manner.

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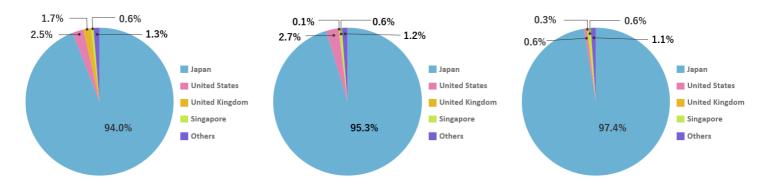
## Taxes Paid by Country (FY2021)

	Profit (Loss) before Income Tax (*1)		Income Tax Ac	crued (*1)	Income Tax Paid (*1, 2)		
	(100 million yen)	(%)	(100 million yen)	(%)	(100 million yen)	(%)	
Japan	2,223.8	94.0%	381.4	95.3%	589.8	97.4%	
United States	58.0	2.5%	11.0	2.7%	3.7	0.6%	
United Kingdom	39.4	1.7%	0.3	0.1%	1.5	0.3%	
Singapore	13.3	0.6%	2.6	0.6%	3.9	0.6%	
Others	30.7	1.3%	4.9	1.2%	6.7	1.1%	
Total	2,365.2	100.0%	400.1	100.0%	605.6	100.0%	

### Profit (Loss) before Income Tax

Income Tax Accrued

## Income Tax Paid



(\*1) Profit (loss) before income tax, Income tax accrued and Income tax Paid are based on the Country-by-Country Report submitted to tax authorities in each country.

(\*2) The amount of income tax paid is the actually paid (on a cash basis) during FY2021.

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## **Prevention of corruption**

In line with the principles of the United Nations Global Compact, Daiwa Securities Group works to prevent corruption.

The Code of Ethics and Conduct, which guides the actions of officers and employees, stipulates that if corporate ethics and interests conflict with each other, corporate ethics should be prioritized and acts contrary to corporate ethics should never be performed. In addition, payment of any money or provision of convenience that is against the law is prohibited. Moreover, we prohibit the provision and receipt of economic benefits that may not be valid in the light of common wisdom, such as cash rewards and excessive entertainment. For entertainment, we apply and manage in accordance with management rules on entertainment, and we have set special precautions especially for entertainment with government officials including those from foreign governments. The use status of entertainment expenses is appropriately monitored by voluntary self-inspection of each department and office and inspection by the Compliance Department. For officers, the corporate auditor checks at the annual interview with them the status of undertakings regarding the prevention of corruption.

Moreover, we do not provide financial contributions relating to political activities to those other than political parties or political investment groups. In providing support for activities of a political organization, we do so appropriately in compliance with the Political Funds Control Act, the Public Offices Election Act, and other relating laws and regulations. The total value of political contributions provided by Daiwa Securities Group Inc. were 32 million yen in FY2020, 32 million yen in FY2021 and 32 million yen in FY 2022.

In order to thoroughly prevent corruption, we carry out annual ethics training for all employees based on the Code of Ethics and Conduct. Each department and office emphasizes risk management by periodically implementing annual risk control self-assessment (RCSA) including the viewpoints of bribery and corruption.

We have also built a structure that prevents the fraudulent granting of benefits at overseas offices by establishing internal rules that suit local laws and regulations. Employees who conducted corruptions or violated the Code of Ethics and Conduct are subject to disciplinary action stipulated by Daiwa Securities Group Inc. depending on the scale and maliciousness of such act. In FY2022, Daiwa Securities Group did not have any serious matters of note such as violations of laws and regulations related to the prevention of corruption.

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## Daiwa Securities Group Anti-Corruption Policy

### Daiwa Securities Group Anti-Corruption Policy

The Daiwa Securities Group (the "Group") has established the following Anti-Corruption Policy based on its corporate philosophy. With high ethical standards, we strive to prevent corruption and ensure fair and sound relationships with all stakeholders including our customers with high ethical standards.

1. Prevention of corruption

The Group prohibits receiving and giving of any form of bribery. Also, the Group prohibits the receiving and giving of inappropriate entertainment, gift, facility, and other benefits that exceed acceptable limits under normal social conventions.

2. Management involvement

The management of the Group recognizes the importance of corporate ethics, sets a good model through its daily activities, and is responsible for preventing corruption.

3. Compliance with laws and regulations

The Group complies with anti-corruption laws and regulations and international treaties that apply in the jurisdictions where it does business. Relevant laws and regulations include the Unfair Competition Prevention Law (Japan), the Foreign Corrupt Practices Act (US), the Bribery Prevention Law (UK), the Commercial Bribery Regulations (China), and others.

4. Internal control

The Group appropriately prepares internal rules and other regulations regarding anti-corruption based on relevant laws and regulations. The Group regularly checks the operation and effectiveness of these internal rules to take necessary actions such as reviewing them.

5. Education / training

The Group provides all officers and employees with regular education and training on anti-corruption, such as the prohibition of bribery and raising awareness about the whistleblowing system.

6. Reporting / whistleblowing

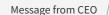
The Group establishes a system for receiving reports or whistleblowing from officers and employees regarding activities that breach or might breach anti-corruption laws and regulations and internal rules and other regulations. The Group will thoroughly protect whistleblowers so that any officer or employee who reports will not be disadvantaged.

7. Dealing with breaches

If any officer or employee of the Group breaches relevant anti-corruption laws and regulations or internal rules, the Group will strictly apply the applicable sanction procedures based on internal rules.

8. Understanding and embedding the policy

All management and employees of the Group fully understand this policy and make annual attestation.



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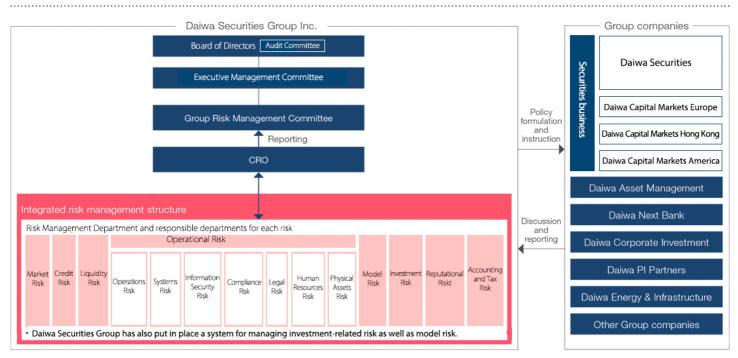
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## **Risk Management**

Daiwa Securities Group recognize the importance of identifying and evaluating the various risks associated with our business operations accurately, and controlling them effectively, while we pursue profitability and growth. We aim to maintain a sound financial base and profit structure by properly balancing risks and returns and appropriately control not only short-term risks but also risks that are likely to appear in the medium- to long-term, such as climate change risk. By doing so, we seek to achieve sustainable improvement in corporate value.

## **Risk management system**

#### Risk Management System



To manage risks for the entire Group based on the Risk Appetite Framework (RAF), the Board of Directors of Daiwa Securities Group Inc. has approved the Risk Appetite Statement (RAS), which expresses the RAF in writing, and the Rules for Risk Management. The rules mainly define basic policies related to risk management, the types of risks that need to be managed, and the responsible executives and departments for each major risk. Based on the RAS and the Rules for Risk Management, the Board of Directors and the Audit Committee oversee risk management for the entire Group. In order to establish an effective risk governance system, we have created a Guideline for Three Lines of Defense and maintain a comprehensive structure for risk management.

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#### Basic policies as defined by the Rules for Risk Management Daiwa Securities Group

- 1. Management's proactive involvement in risk management
- 2. The structure of a risk management system that responds to features of the risks held by the Group
- 3. Understand overall risk based on integrated risk management, and secure strong capital and the soundness of liquidity
- 4. Clarify the risk management process

Each of the Group companies conducts risk management suited to the risk profile and size of each business in accordance with the basic policies related to risk management. The Risk Management Department and responsible departments for each risk within Daiwa Securities Group Inc. monitor the risk management systems and risk status of Group companies. The risk status of Group companies grasped through such monitoring, as well as their risk management issues, is reported as necessary to the CRO, who is appointed from among the executive officers. The CRO gives directions to address the risk management system, risk status, and other risk issues for each company, verifies the effectiveness of risk management systems, and conducts reviews as necessary according to the business scale and characteristics and risk status of each company.

The CRO is in charge of reporting risk to the CEO and does not concurrently serve as the person responsible for internal audits or as a member of the Audit Committee.

The risk status and other risk issues of Group companies are reported to the Group Risk Management Committee, which is a subcommittee of the Executive Management Committee of Daiwa Securities Group Inc. The committee deliberates and decides on policies on risk management and specific measures. Risk management processes are also discussed and reviewed by the Group Risk Management Committee. The Group Risk Management Committee is structured separate from the Audit Committee, but the content of its meetings is also reported to the Audit Committee. The Board of Directors also verifies the effectiveness of risk management systems and processes through deliberation and decisions on matters related to the RAF, top risks, and so on. The risk management process is also discussed by the Group Risk Management Committee, and is reviewed based on suggestions and directions from executive officers. In addition, major Group companies regularly hold risk management meetings in order to strengthen their risk management systems.

## **Environmental and Social Policy Framework**

Daiwa Securities Group Inc. formulated the "Environmental and Social Policy Framework" in June 2021 in order to strengthen its management and governance infrastructure for environmental and social risks on business. By recognizing and appropriately addressing risks associated with business that could have a significant negative impact on environment and society through initiatives such as the engagements with our stakeholders including investees and/or lenders, Daiwa Securities Group strengthens our supply chain management and strives to create a better society along with its stakeholders.

\* Daiwa Asset Management Co. Ltd. has established a policy as an <u>"ESG Investment Policy,"</u> and Daiwa Real Estate Asset Management Co. Ltd. has established a policy as a <u>"Policy Regarding ESG"</u> separately from this framework.

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### Daiwa Securities Group "Environmental and Social Policy Framework"

#### 1. Introduction

As awareness of environmental and social issues such as climate change and human rights violations continues to grow in Japan and overseas, the Daiwa Securities Group (the "Group") is committed to playing its role, as a comprehensive securities group, in supporting the realization of a sustainable and prosperous society in order to meet the environmental and social goals of all stakeholders.

The Group established its "Environmental Vision" in 2012 and, based on the "Environmental Principles" and the "Basic Environmental Policies" announced at the same time, it has been working to help solve environmental issues and continuously reduce the environmental footprint that results from its business activities. Furthermore, in May 2021, it established its management vision "Vision 2030", putting the realization of the UN's SDGs at the center of the Daiwa Group's strategy, proactively working towards the promotion of the transition to a carbon-neutral society and the realization of a resilient society.

In addition, the Group has formulated the "Environmental and Social Policy Framework" (the "Framework") in order to strengthen its management and governance infrastructure for environmental and social risks, such as the conservation of the global environment / biodiversity and the protection of human rights. We want to create a better society in partnership with our stakeholders by acknowledging the risks for businesses that may have negative impacts on the environment and society, and taking appropriate measures through engagement.

The Group will actively support innovation and technological initiatives that will lead to the realization of carbon neutrality, and will focus on providing a variety of financial solutions, including transition finance, to support these.

2. Governance on this Framework

The Group discusses SDG and ESG issues related to the environment and society at the SDGs Promotion Committee, chaired by the President and CEO. The results of these discussions are reported to the Board of Directors as appropriate, and important matters are passed through the Board of Directors as resolutions, which strengthens the system for supervision by the Board of Directors. This Framework was approved by the Board of Directors following discussion with the SDGs Promotion Committee.

This Framework will be assessed regularly, with the aim of strengthening it, based on the experience of its implementation and changes in the external environment.

3. Applicable products and services

This Framework covers new investments and loans, and the underwriting of bonds and stocks issuance (hereinafter, financing) made by Daiwa Securities Group Inc. and its major group companies.

4. Applicable business

(1) Prohibited business

- Businesses that negatively impact UNESCO-designated World Heritage Sites
- Businesses that negatively impact wetlands designated under the Ramsar Convention
- Businesses violating the Washington Convention
- Businesses involving human rights violations such as child labor and forced labor
- (2) Restricted business

1) Businesses affecting indigenous communities

When providing financing to a business, we will carry out ESG due diligence including environmental and social risk assessments ("ESG due diligence"), carefully assessing whether they will cause serious cultural, social and economic

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damage to indigenous communities, and whether appropriate measures are taken to mitigate them. We will utilize these risk assessments in making decisions.

#### 2) Business involving land expropriation that leads to involuntary relocation of residents

When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether they result in land expropriation that forces residents to relocate against their wishes and whether appropriate measures are taken to prevent them, and utilize these results in making decisions.

#### 3) New construction of coal-fired power generation

We prohibit any financing where the use of proceeds are directed toward this type of business. Regarding the underwriting of bonds and stocks issuance, however, issuers that announce a target for net zero greenhouse gas (GHG) emissions by 2050, or businesses adopting new technology aligned with the goals of the Paris Agreement, may be considered on a case-by-case basis.

#### 4) Weapons of mass destruction / inhumane weapons manufacturing

We prohibit any financing where the use of proceeds are directed toward this type of business. Weapons of mass destruction include nuclear weapons, chemical weapons, biological weapons, and inhumane weapons include cluster munitions and antipersonnel land mines.

#### 5) Palm oil plantation development

When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether the loss of wildlife habitat due to overdevelopment may lead to a loss of biodiversity, or land conflicts with indigenous residents, or human rights violations such as child labor/ forced labor, or whether appropriate measures are taken to prevent them. We will utilize these results in making decisions.

In addition, when providing financing to a business, we will confirm if RSPO (Roundtable on Sustainable Palm Oil), an international certification system for palm oil, has been acquired. Where this is not in place, we will encourage clients to obtain certification. We will encourage clients to make environmental and human rights policies such as NDPE (No Deforestation, No Peat and No Exploitation) or other compatible policies.

#### 6) Business involving deforestation

When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether appropriate measures will be taken to prevent a negative impact on the environment caused by the destruction of ecosystems, and whether illegal logging is carried out. We will utilize these results in making decisions.

When providing financing to a business, we will encourage clients to obtain FSC (Forest Stewardship Council), an international forest certification system or other compatible certifications or to make environmental and human rights policies such as NDPE or other compatible policies.

#### 7) Coal mining

We prohibit any financing where the use of proceeds are directed toward businesses using the mountaintop removal (MTR) method and new thermal coal mining businesses.

When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether appropriate measures are taken to ensure occupational safety and a sanitary environment to prevent cave-in accidents, flood accidents, gas explosions, and human rights violations such as illegal labor. We will utilize these results in making decisions.

#### 8) Large-scale hydroelectric power generation construction

When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether appropriate measures will be taken against the destruction of the environment and ecosystems and negative impacts on local residents due to the construction of a dam. We will utilize these results in making decisions.

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#### 9) Oil and gas development

When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether appropriate measures are taken against their impact on the environment, ecosystems and local communities. We will utilize these results in making decisions. In particular, we will make careful decisions when providing financing to development businesses in the Arctic, oil sands and shale oil and gas development businesses, pipeline businesses which may have significant negative impacts on the environment and society.

#### 5. Assessment process

Message from CEO

When providing financing to the above businesses, we will carry out initial ESG due diligence. If it is determined that additional confirmation is necessary as a result of the assessment, we will apply enhanced ESG due diligence to determine whether or not to provide financing. If the implementation of the business may have a serious impact on the corporate value of the Group, the executive management will discuss further and make a final decision on whether or not to provide financing.

December 26, 2022

Please also refer to the following.

- > Stakeholder Engagement
- > Supply Chain Management

## Types of Risks to Be Managed / Managing Major Risks

Daiwa Securities Group faces various risks in the course of its business activities. The Group therefore believes that it is important to identify these based on business characteristics and risk profiles, and appropriately evaluate and manage those risks in order to maintain a sound financial base and earnings structure.

The Group utilizes its own accounts to temporarily hold product positions for sales purposes and to provide products to customers. Accordingly, the Group is subject to various risks, such as market risk due to market fluctuations and ineffective hedging, foreign currency and other liquidity risk, credit risk related to counterparties and issuers, operational risk that naturally occurs through the execution of business, and model risk resulting from using models for decision making. In addition, following the implementation of growth investment based on hybrid strategies, investment risk occurs as a result of deterioration in the business performance and credit status of investee companies, and changes in the market environment. Therefore, the Group utilizes stress tests<sup>1</sup> and top risk management to manage risk on an integrated basis, including measuring the impact on capital and liquidity within the Group from a forward-looking perspective.



\*1. Stress tests are used for the integrated evaluation of impacts on capital, liquidity, and business systems based on probable stress scenarios that may have a major impact on the Group

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### **Top Risks**

The risk events that require particular attention in light of the Group's business characteristics are selected and managed as top risks. The management of Company "visualize" the risk events that are identified and sorted out by relevant departments based on risk events collected from both inside and outside the Company as candidates for top risks to enabling the management to understand and discuss extensive risks when selecting the top risks. Moreover, the Group's Directors and Corporate Executive Officers identify and extract such candidates for top risks by making a forward-looking evaluation of the level of impact on the Group's performance and the possibility that such risk events will occur.

In particular, the Group positions climate-related risks as one of the top risks and reports to the management of the Group and discloses results after conducting a scenario analysis utilizing a stress test.

### Managing Climate Change Risks

#### Response to Climate Change (Disclosure Based on the TCFD Recommendations 2023)

### List of top risks

Risk events	Specific examples
Intensifying international disputes and conflicts	Russia-Ukraine war, U.SChina conflict (Taiwan emergency), etc.
Recurrence of the financial crises	-
Downgrading of JGBs and crash of yen assets caused by instability of Japan's financial situation	-
U.S. stagflation	-
China's economic recession	-
Inadequate response to DX (digital transformation)	Decline in competitiveness due to inadequate response to DX
Inadequate response to operational resilience	If we are unable to provide the appropriate service to customers due to inadequate resilience to natural disasters, cyberattacks and system failure, etc. the Company's reputation will be damaged.
Climate change	Decline in the value of held assets and decrease in selling opportunities as a result of climate change
Large-scale earthquake, flood damage	Increase in costs associated with natural disaster
Deterioration of business performance of investees	-

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Risk events	Specific examples
Cyberattack	-
System failure	-
Compliance risk	Inappropriate action by staff including money laundering, insider trading, etc.
Information leakage that has a significant impact	Serious information leaks, etc.

### (1) Market risk management

Market risk refers to the risk of incurring losses due to market fluctuations, which affect the value of stock prices, interest rates, foreign exchange rates, and commodity prices. In terms of the Group's trading business, by providing market liquidity the Group acquires compensation while at the same time taking on market risk through the holding of a certain amount of financial assets. The Group implements suitable hedges to curtail fluctuations in profits and losses. However, as hedges may fail to function effectively in times of stress, the Group sets limits on Value at Risk (VaR)<sup>\*1</sup> and loss estimates under various types of stress test<sup>\*2</sup> to ensure that they are within the scope of equity capital, after taking into consideration financial conditions and such factors as the business plans and budgets of subject departments. The Group also sets limits on such facets as position and sensitivity.

The departments in charge of the Group's trading services calculate positions and sensitivity for the purpose of assessing their own market risk, and monitor such. Meanwhile, risk management departments also monitor the status of market risk, confirm whether risk falls within the established limits, and report on such to management on a daily basis.

- \*1. Value at Risk (VaR) represents the maximum possible loss of a given trading portfolio with a given probability over a given time horizon.
- \*2. Stress tests are used to calculate the Group's maximum losses based on scenarios of the most significant market fluctuations of the past and due to scenarios based on hypothetical risk events.

### Daiwa Securities Group (Consolidated) Value at Risk

#### Range and Assumption of VaR

- Scope: Trading accounts
- Confidence level: 99% (one-side test), Holding period: 1 day
- Adjusted for price correlation between products

(Billions of yen)

	21/6	21/9	21/12	22/3	22/6	22/9	22/12	23/3
VaR (Month-end)	1.59	1.74	1.95	1.92	1.35	1.07	1.04	1.33
Quarter								
High	1.83	2.07	2.58	2.37	1.96	1.52	1.42	1.85

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	21/6	21/9	21/12	22/3	22/6	22/9	22/12	23/3
Low	0.82	1.35	1.43	1.55	0.99	0.94	0.83	1.04
Average	1.37	1.64	1.90	1.90	1.54	1.13	1.05	1.44
By risk factor (Month-end)								
Equity	0.25	0.41	0.24	0.40	0.27	0.18	0.42	0.33
Interest	0.66	1.28	1.29	1.20	0.86	1.00	0.78	0.68
Currency	0.45	0.49	0.48	0.51	0.22	0.39	0.45	0.51
Commodities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

## (2) Credit risk management

Credit risk refers to the risk of losses caused in cases where a counterparty of a trade or the issuer of a financial product held by the Group suffers a default, or credibility deteriorates. The credit risks generated in the trading business of the Group consist of counterparty risk and issuer risk.

Because the Group provides financial instruments, manages assets and invests, the Group is exposed to the risk that various instrument and transaction exposures collect on a specific counterparty. If the counterparty's credit situation worsens, the Group may incur significant losses. Therefore, the Group has established the upper limit on total exposure to any counterparty and periodically monitors such limit.

### Counterparty risk

The Group has established the upper limit on the credit-equivalent exposure that can be tolerated for each counterparty and periodically monitors such credit-equivalent exposure.

### Issuer risk

The Group monitors risk amount related to the issuer risk of financial instruments held for market making.

### (3) Liquidity risk management

Liquidity risk refers to the risk of experiencing cash management difficulties or suffering losses due to having to finance at markedly higher costs than usual as a result of a change in market conditions or a deterioration of Group companies' finance.

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#### **Basic Policy on Fundraising**

The Group conducts the securities-related operations using a variety of assets and liabilities, and makes investments and loans that contribute to providing new value as an integrated securities group with a hybrid business model. The Group, preparing for the case that the environment vastly changes, endeavors even in ordinary times to secure a stable reserve to prevent the business from suffering difficulties. Also, the Group tries to diversify the maturity and sources of funds in preparation for the event where it becomes difficult to raise new funds and to roll over the existing funds due to a financial crisis.

### Liquidity management system using Liquidity Management Indicators

Daiwa Securities Group Inc. has organized its liquidity management system that utilizes the regulatory consolidated liquidity coverage ratio and the consolidated net stable funding ratio as well as its own liquidity management indicators.

Concerning unsecured fundraising, the repayment date of which arrives within a year and the prospective outflows in the case where some stress events occur in such period, we verify every day that enough liquidity is secured for such repayment and outflows even in various stress scenarios. The Group undertakes to make it possible to continue business even if unsecured fundraising is not available for one year.

### **Contingency Funding Plan**

The Group recognizes the emergence of liquidity risks can have a direct impact that leads to the business failure of a financial institution. Accordingly, Daiwa Securities Group has put in place a contingency funding plan that predefines the required response methods, roles and authorities, and procedures, among others, in order to ensure that the Group responds appropriately as a unified entity at the time of a liquidity crisis. This plan states the basic policy concerning the reporting lines depending upon the urgency of stress internally originated, including a credit crunch, and externally originated including an abrupt change in the market environment, and the method of raising capital. The contingency plan enables the Group to prepare a system for securing liquidity through a swift response.

## (4) Operational risk management

Operational risk is the risk of losses that occur when internal processes, people, and systems do not perform adequately or do not function; it can also arise from external events.

### **Definitions of Principal Operational Risks**

Туре	Definition
Operations Risk	Risk of suffering losses because executives and employees neglect accurate office work or cause accidents or fraud, etc.
Systems Risk	Risk of suffering losses due to downtime or malfunction of computer systems, and system defects, etc. as well as the risk of suffering losses due to fraudulent use of computers
Information Security Risk	Risk that information security (maintaining confidentiality, integrity and availability) has not been ensured to detect threats to information assets



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Туре	Definition
Compliance Risk	Risk of suffering losses due to executives and employees not observing corporate ethics and laws and regulations and the risk of suffering losses due to legal disputes with customers, etc.
Legal Risk	Risk of suffering losses due to the execution of inappropriate contracts or breach of contracts
Human Resources Risk	Risk of suffering losses due to problems arising in labor management practices and in the safe workplace environment and risk of not securing the necessary human resources
Tangible Assets Risk	Risk of suffering losses due to damage to physical assets as a result of natural disasters, external factors and negligence of executives and employees

The Group classifies operational risks into the seven categories listed in the above table and monitors them by assigning departments responsible for individual risks. As the Group's business becomes more sophisticated, diversified, and systemized, the accompanying risks become more varied. As a result, the importance of managing operational risk has grown each year.

Major Group companies strive to appropriately manage operational risk by measures including risk control self-assessments (RCSAs), in accordance with rules on operational risk management set by Daiwa Securities Group Inc. Additionally, the Group has enacted the necessary policies including the tightening of authority, the machine automation of office functions to reduce human errors, and creating operational manuals, working to reduce operational risk in response to the business characteristics of each Group company.

\* RCSA (Risk Control Self-Assessment) uses a predetermined assessment sheet to identify and assess operational risks, analyzes risks based on frequency of occurrence and impact, and evaluates and verifies efficacy of risk mitigation efforts.

## (5) Model risk management

Model risk refers to the risk of direct and indirect losses resulting from errors in the development and implementation of models, or from their misuse.

In order to effectively manage model risk, the Group has clarified the roles and responsibilities of those involved in the models, and has established a system to manage models throughout their lifecycle. Specifically, the Group has model verification and approval processes before use or significant change, and conducts monitoring and regular checks to manage model risk.

## (6) Investment risk management

Investment risk refers to the risk that the value of an investment made by the Group will be damaged, or that additional funding will be required, and to the risk that the return on investment will be lower than expected due to deterioration of the business performance and credit status of the investee, and to changes in the market environment. This risk is managed at the portfolio level and at the individual investment level.

In terms of portfolio level management, the Group has set Group-wide risk limits on a per industry basis in order to appropriately manage the investment concentration condition, and regularly monitors this situation. In terms of individual investment level management, along with verifying risk prior to making the investment based on a certain standard, the Group monitors the risk condition following investment on an ongoing basis.

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### (7) Reputational risk management

Reputational risk refers to the possibility of the Group sustaining unforeseen losses and the Group's counterparties being adversely affected due to a deterioration of its reliability, reputation, and assessment caused by the spread of rumors or erroneous information. There are no uniform procedures for managing reputational risk because it can emanate from a variety of sources.

The Group has established various regulations under its Disclosure Policy, with particular emphasis on the management and provision of information. It has also set up the Disclosure Committee within Daiwa Securities Group Inc.

Each Group company is obligated to report information that could turn into reputational risk to the Disclosure Committee. That way, Daiwa Securities Group Inc. can obtain and centrally manage information, and it disseminates accurate information in a prompt manner according to the decisions of the Disclosure Committee.

The Group strives to keep abreast of problems and occurrences that may affect its reputation so that if and when such problems occur, their impact on the Group can be minimized. It also acts to ensure that erroneous and inaccurate information is properly corrected, and that it responds appropriately to libel and other issues. The Group has public relations and investor relations systems in place to prevent and minimize risks regarding its reputation.

## (8) Accounting and tax risk management

Accounting and tax risk is the risk of not conducting appropriate accounting treatment and disclosure in accordance with accounting or taxation standards, laws, and regulations, or of not filing or paying taxes appropriately, as well as the risk of losses arising as a result.

The Group strives to reduce accounting risk by operating in accordance with fundamental regulations related to internal controls on financial reporting, and by establishing, putting into practice, and striving to improve its internal controls on financial reporting. In addition, by notifying principal Group companies of necessary reporting items related to tax risk management and receiving such items in a timely manner, the Group endeavors to appropriately determine the tax risk management status and risk conditions for the Group as a whole, thereby reducing its tax risk.

> Daiwa Securities Group Tax Policy

## **Business Continuity Plan (BCP)**

To be prepared for disruptions of social infrastructures, we have drawn up a business continuity plan (BCP). The BCP prioritizes important operations to be restored or continued\* in order to keep the financial markets open and protect customers' economic activities. Disruptions of social infrastructure might make our head office functions, branches and data centers or other important facilities inoperative. They can be caused by events such as earthquakes, fires, storms, floods, other extraordinary weather conditions, terrorism, large-scale power failures, and serious outbreaks of infectious diseases. In accordance with the BCP, we will not only ensure the safety of customers and our employees, and protect our assets, but will also strive to continue our vital operations in the financial markets where our business serves the public interest. For example, we boast Japan's highest level backup center, and have established a system which enables us to easily switch to the alternate system in case of an emergency at headquarters. We can therefore continue vital operations through a substitute office location.

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### Prioritized operations to be restored or continued

- 1. Carrying out securities transactions traded in the markets and yet to be settled
- 2. Payment to our customers
- 3. New orders from customers to sell or cancel the following products and sell securities back to exit a long position in margin trading
  - Domestic listed shares, including closing long positions on margin transactions
  - MRF (money reserve funds)
  - Japanese government bonds for individual investors
  - Ordinary deposits

### Measures to Address Disaster Risk by Region

Daiwa Securities has offices across Japan. As disaster risk differs amongst regions, it has formulated a disaster response plan for each sales branch and is preparing disaster relief supplies that reflect the disaster risk for each branch. The hazard maps created by the municipalities of respective regions are sent to branches and made available on our intranet.

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## IT Strategy and Management of Systems Risk

Daiwa Securities Group has raised pursuing the best mix of digital and real as one of its basic policies for the Medium-Term Management Plan "Passion for the Best" 2023. Based on this basic policy, the Group is advancing a digital strategy intended to achieve a higher top lines and more sophisticated, efficient business by fusing the respective strengths of its people and data/digital technologies starting from those of data.

## IT Organization and Structure

The Group IT Strategy Committee is established at Daiwa Securities Group Inc. as a sub-committee of the Executive Management Committee, and the IT Strategy Committee is created at Daiwa Securities as a subcommittee of the Management Committee. These subcommittees serve to deliberate and decide upon matters for accelerating decision-making involving the integration of management and IT strategies, as well as involving IT investments, and for enhancing the efficiency of IT investments.

Amid a rapidly changing and difficult-to-predict business environment, the Group has established and is strengthening its digital transformation (DX) promotion system. Daiwa Securities is transforming to a "data-driven" business model that aims to increase business efficiency and improve the top line by analyzing, researching, and utilizing data. An example of this is the establishment of the Data-Driven Promotion Council which is chaired by the president and attended by each headquarters. The company is also putting effort into improving digital literacy of all employees by introducing "Digital IT Master Certification System" for developing human resources that can leverage advanced digital technologies to create business innovation as well as the "Daiwa Digital College," the aim of which is to acquire the basic skills for utilizing digital data and practical skills for actual business.

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## **IT investment**

The Group has been investing in IT in order to provide products and services responding to customer needs, realize digital transformation<sup>\*1</sup> through digitalization of business processes and analysis, research and utilization of data, develop infrastructure to ensure business efficiency and safety, comply with laws and regulations, and enhance risk management. In FY2022, with the aim of swiftly and efficiently entering into alliances with other financial institutions such as banks and Shinkin banks, we promoted efforts toward constructing a platform on which the internal system of Daiwa Securities may be used by partner companies through the website and API<sup>\*2</sup>. In addition, as part of investments for advancing and improving efficiency in the businesses of Daiwa Securities, we built an infrastructure for storing and analyzing data so that all Daiwa Securities officers and employees can make data-driven decisions. And as the next phase, we worked on the accumulation of data to be used for analysis, and the introduction of analysis tools. Furthermore, we newly enhanced security systems for internal communication in FY2022 by constructing a zero trust<sup>\*3</sup> security infrastructure in addition to the security for external communication enhanced in FY2021.

- \*1. Digital transformation means a company's initiative to innovate products and services as well as business models based on the needs of customers and society by utilizing data and digital technologies in response to drastic changes in business environment, and to establish competitive advantage by transforming its businesses, organizations, processes, corporate culture and corporate climate.
- \*2. A specification and mechanism that provides inter-system connection in a standard form.
- \*3. A security concept of verifying the security of every access to data systems requiring protection, whether internal or external, without trusting them.

## Systems risk management

Daiwa Securities Group has worked to maintain and enhance the management of systems risk in order to reliably provide high-quality services to customers while protecting information assets from various threats and risks originating from inside or outside the company. Recognizing the importance of cyber security as a group management issue, we are working to strengthen systems for detecting and monitoring cyberattacks. At the same time, we continue to work toward improving our defense and resilience to cyberattacks, collaborating with outside organizations in an effort led by a dedicated organization (Daiwa-CSIRT\*) that works throughout the Group.

In improving our cyber security management systems, we are considering specific measures in light of cyberattack trends, periodic penetration tests and vulnerability assessments by external specialist firms, and risk assessments conducted within the Group based on these results. During the current Medium-term Management Plan, we plan to enhance "technical measures," "operational resilience," and "governance." Specifically, we are putting effort into continuously strengthening technological measures based on the concept of zero trust security, enhancing education and training for officers and employees, implementing training of cyber security for the management team, and strengthening the Group-wide cyber security systems through regular meetings with the major Group companies in Japan and abroad.

\* Computer Security Incident Response Team: The organization that manages cyber security across departments.

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## Al Governance Mission Statement

### < Daiwa Securities Group AI Governance Mission Statement>

Daiwa Securities Group is committed to social issues such as the environment, human rights, education, economic growth, and technological innovation, and contributing to the sustainable development of society and the economy. To achieve this, the use of cutting-edge technology, especially AI, has become essential. While the impact of AI on society and the economy is expected to expand further in the future, there are still developing aspects of AI technology.

Under careful consideration, Daiwa Securities Group has established the "Daiwa Securities Group AI Governance Mission Statement," which we encourage all employees to abide by in understanding that we are a company that uses AI extensively in research and development, prediction and analysis, together with providing services.

Daiwa Securities Group will continue to make every effort to become a trusted partner for all stakeholders and ensure that our services are used with peace of mind.

1. Contribution to Society and Economy through AI

While using AI Daiwa Securities Group intends to contribute to a sustainable development of a society and economy by developing full utilization of AI, as well as through dialogue with our diverse stakeholders. Additionally, we will aim to achieve public benefit for a rich society through the utilization of AI Including a sound and sustainable development of finance and capital markets.

2. Human-Centered AI

Daiwa Securities Group respects human rights and will ensure when using AI it does not violate this principle. We will intervene through our human judgement.

- Transparency and Accountability of AI
   Daiwa Securities Group values accountability and transparency and will make sure when utilizing AI this value is
   achieved including a base use that is easy to understand.
- 4. Appropriate Use and Learning of AI Daiwa Securities Group uses AI in an appropriate range and manner and strives to ensure that AI is driven from high quality data sources that are pre checked and monitored.
- Compliance with Laws and Privacy Protection
   Daiwa Securities Group complies with regulatory requirements in the development and utilization of AI. This includes
   privacy protection.
- 6. Security and Monitoring of AI

Daiwa Securities Group takes appropriate security measures and monitors AI systems to prevent malicious attacks such as data breaches.

7. Governance and Literacy Improvement of AI

Daiwa Securities Group is establishing a governance and control system to check and manage AI appropriately, this includes affects by third parties. As a company that will use AI extensively, we strive to improve AI literacy and promote sound AI business throughout the organization.

Established June 23, 2023

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## **Respect for Human Rights**

## **Our Approach and Policy**

### **Human Rights Policy**

Daiwa Securities Group states in its Corporate Principles that "the Group will strive to maintain a high sense of morality and duty, endeavoring to continue contributing to the sustainable growth of the societies in which we operate." To further improve a corporate culture rooted in the basic principles of respect for human rights, and to promote efforts for the respect of human rights in accordance with international standards, we have established this Human Rights Policy.

1. Respect for International Standards

Daiwa Securities Group supports and respects international standards on human rights, such as the International Bill of Human Rights (consisting of the Universal Declaration of Human Rights and the International Covenants), the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, ISO 26000, and Children's Rights and Business Principles. We also endorse the Ten Principles of the UN Global Compact as a signatory to the UN Global Compact.

2. Scope of Application

This Policy applies to all companies, officers, and employees within Daiwa Securities Group. We also expect all stakeholders, such as customers and suppliers, to respect human rights.

3. Prohibition of Human Rights Violations

Daiwa Securities Group provides an equitable and safe working environment that values people, and is considerate of the human rights of all stakeholders. We do not tolerate discrimination based on race, nationality, birthplace, creed, religion, politics, biological sex, sexual orientation, gender identity, social status, physical characteristics, or disability, or human rights violations such as sexual harassment, power harassment, or other acts of harassment in any aspect of our work. Furthermore, we do not tolerate unfair labor practices, such as child labor and forced labor.

4. Human Rights Due Diligence

Daiwa Securities Group conducts appropriate human rights due diligence and is committed to preventing and mitigating any negative impact its corporate activities may have on human rights.

5. Remedial Mechanisms

Daiwa Securities Group takes corrective and remedial actions through appropriate procedures in the event it becomes clear that its corporate activities have caused or been involved in a negative impact on human rights.

6. Education and Training

Daiwa Securities Group educates and instructs all officers and employees with accurate information on human rights. At the same time, we view human rights issues as our own problem, not somebody else's problem, and foster a sensitivity that enables empathy with the suffering of others.





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7. Information Disclosure

Daiwa Securities Group is committed to disclosing information on its human rights initiatives and progress on its website and through other media to ensure that they are understood by all stakeholders.

8. Stakeholder Engagement

Daiwa Securities Group implements this Policy with an emphasis on dialogue with stakeholders.

9. Governance System

Daiwa Securities Group has established a Human Rights Awareness Promotion Committee, chaired by the Human Resources Officer, to promote human rights initiatives. This Policy is determined by the Board of Directors.

Established October 1, 2022

## Human Rights Education and Awareness System

In 1984, Daiwa Securities Group set up the Human Rights Awareness Promotion Committee. The committee aimed at promoting activities and training for raising human rights awareness, thereby encouraging better understanding and appreciation of social integration and other human rights issues. We have been working to achieve its objectives. Besides the committee, all Group managers at the head office or branch level act in a promotional role, engaging in education and awareness activities to ensure that employees correctly understand and acknowledge human rights and social integration issues. Daiwa Securities Group has been a member of the Industrial Federation for Human Rights, Tokyo, since 1998. The Federation is composed of 122 companies mostly headquartered in Tokyo with a combined total of 1.5 million employees (as of April 2023). Federation members work together to further improve their employees' awareness of human rights issues through research and communication.

Composition of Human Rights Awareness Promotion Committee Chair: Human Resources Officer at Daiwa Securities Group Inc. Vice Chair: Head of the Human Resources Department Committee Members: Five department heads including the head of the Corporate Planning Department, General Affairs Department, and Compliance Control Department

## Initiatives in FY2022

### Human rights education

In FY2022, we provided human rights education as part of training for the Group's new employees conducted immediately after their induction ceremony. It is also included in training for those newly becoming general managers, managers, and associate managers. The chief of the Human Rights Awareness Promotion Committee Secretariat has taken charge of all of these training courses. We have also been providing training on LGBT issues since FY2015. It has been conducted for those in the Group's compliance and human resources divisions. The issues are also taken up in training for new employees every year. LGBT issues are also included in training for promoted employees as an opportunity to deepen their understanding. The cumulative

LGBT issues are also included in training for promoted employees as an opportunity to deepen their understanding. The cumulative number of employees participating in training on LGBT issues is now 8,595.





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The Group held a Human Rights Awareness Workshop for all executives and employees to consider human rights from multiple viewpoints.

Study sessions comprised of video training and discussion were held on the themes of "harassment," "gender diversity," and "persons with disabilities" in the workplace. We used a material "Jinken no Susume (An encouragement of understanding human rights)," featuring short video dramas on each of the themes for participants to develop awareness and learn about human rights issues from multiple perspectives.

### Human rights education for employees for FY2022

Training participants	332 new employees
Objective	To acquire basic knowledge concerning human rights and to understand and raise awareness of the Group's fundamental principles concerning respect for human rights
Training participants	1,004 promoted employees
Objective	To acquire knowledge and raise awareness concerning human rights required for their respective positions
Training participants	All Group executives and employees
Objective	To watch a video for human rights awareness promotion and hold discussions at each workplace regarding the content

## Whistleblowing System (Corporate Ethics Hotline)

The matters to be reported under the Group's whistleblowing system (Corporate Ethics Hotline) include harassment (bullying, power harassment, sexual harassment, maternity harassment, etc.) and other human rights violations. We take an appropriate response whenever a report is made.

> Structure and Achievements of Whistleblowing System (Corporate Ethics Hotline)

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## **Supply Chain Management**

Message from CEO

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## Responses to ESG Issues in the Supply Chain

Daiwa Securities Group has established a "Suppliers' Code of Conduct" so that our suppliers can understand and cooperate with our ESG initiatives.

### Daiwa Securities Group Suppliers' Code of Conduct

(Established on May 1, 2023)

#### I. Introduction

Daiwa Securities Group aims to contribute to the sustainable development of society with high ethical standards, raising "contributing to society" as one of its <u>Corporate Principles</u>. Based on this, our group conducts procurement activities that take into consideration social responsibilities such as human rights, labor standards, and the environment throughout the supply chain in order to contribute to the realization of a sustainable society. We expect our suppliers to do the same for ethical business and responsible procurement activities.

Daiwa Securities Group has recently established the Daiwa Securities Group Suppliers' Code of Conduct (hereinafter referred to as the "Code of Conduct") in order to further strengthen our relationships with suppliers. The Code of Conduct establishes basic guidelines with which all suppliers who provide products and services to our group must comply. Each item has been established based on the 10 Principles of the United Nations Global Compact, the Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises.

We would like to ask all of our suppliers for their understanding and cooperation regarding the items listed below. Note that "supplier" refers to third parties (including subcontractors from third parties) and their employees who provide products, services, and labor to our group.

### II. Daiwa Securities Group Suppliers' Code of Conduct

#### 1. Compliance

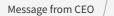
- **1.1.** Comply with the applicable laws and regulations in the countries and regions where business is conducted.
- 1.2. Comply with the laws and regulations related to fair trade, such as the Antimonopoly Act and the Subcontract Act.
- **1.3.** Comply with anti-corruption laws and regulations, and do not accept or provide bribes, unjustifiable entertainment, gifts, benefits, etc.
- 1.4. Do not engage in any transactions with anti-social forces.



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- **1.5.** Never engage in money laundering or terrorist financing.
- **1.6.** Do not engage in any acts that seek interests of yourself, business partners, or third parties against your company's interests.
- 1.7. Establish a whistle-blowing system and thoroughly protect whistleblowers.
- 2. Information Security/Cyber Security
  - 2.1. Strictly manage and protect confidential and important information (including personal information) entrusted by our Group, as well as confidential and important information, including the personal information of your own company, customers, and third parties.
  - **2.2.** Strictly manage confidential information and important information (including personal information) obtained through business with our Group and other customers, and do not divulge the information to third parties without permission.
  - **2.3.** Protect against and take measures against network risks and threats such as computer viruses and unauthorized access.
- 3. Human rights
  - 3.1. Respect human rights in all business activities, including the supply chain.
  - 3.2. Do not engage in child labor, forced labor, or human trafficking.
  - **3.3.** Pay salaries to employees in compliance with the minimum wages and other laws and regulations regarding salaries, etc.
  - **3.4.** Comply with applicable laws and regulations of each country governing employee working hours (including overtime).
  - 3.5. Provide employees with a healthy and safe working environment.
  - **3.6.** Respect employees' right to freely associate or not to associate in accordance with laws and regulations, and the right to collective bargaining.
  - **3.7.** Do not discriminate on the grounds of race, nationality, origin, creed, religion, politics, gender, sexual orientation, gender identity, social status, physical characteristics, disability, etc., in all aspects of work.
  - 3.8. Do not engage in harassment such as sexual harassment or power harassment.
  - 3.9. Promote diversity and inclusion to ensure diversity in the workplace.
- 4. Quality and safety of products and services
  - 4.1. Supply products that meet safety standards stipulated by laws and regulations.
  - **4.2.** Establish and strictly operate a quality assurance system.
  - **4.3.** Provide accurate information about products and services.
- 5. Environment
  - **5.1.** Establish environmentally friendly policies and goals with the aim of reducing the environmental impact of all business activities, including the supply chain.
  - 5.2. Work to reduce greenhouse gas emissions.
  - 5.3. Work on effective use of resources and energy.
  - **5.4.** Comply with the laws and regulations of each country and region regarding proper treatment and recycling of waste, and work to reduce waste.





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5.5. Comply with the relevant laws and regulations of each country and region and manage chemical substances.

#### 6. Information disclosure

**6.1.** Disclose information such as financial status, performance, and details of business activities to stakeholders in a timely and appropriate manner.

We also disclose statements on the prevention of slavery and human trafficking based on the U.K. Modern Slavery Act 2015.

ightarrow Response to the U.K. Modern Slavery Act  $\ \ensuremath{\square}$ 

For our business operations we also formulated the Environmental and Social Policy Framework to strengthen our system for managing environmental and social risks in new investments and loans, and the underwriting of bonds and stocks issuance (hereinafter, financing). We will carry out ESG due diligence for businesses that may have significant negative impacts on the environment and society to determine whether or not to provide financing according to the Framework.

> Environmental and Social Policy Framework

When underwriting an initial public offering, we carry out due diligence in accordance with the items stipulated in the Rules Concerning Underwriting, etc. of Securities by the Japan Securities Dealers Association. In such due diligence, we incorporate an ESG perspective as well as the Environmental and Social Policy Framework and focus not only on business performance and financial aspects but also on other items as key issues, such as the issuer's business model, social reputation, the status of compliance with laws and regulations, the implementation of a compliance system and corporate governance, and the planned uses of the proceeds. We conduct more thorough due diligence on these issues by undertaking field work, meetings and other initiatives, and sometimes make proposals for improvement to the issuer. If major concerns remain even after taking such measures, we report them to the Chief Risk Officer (CRO).

We also collect information provided by public institutions within and outside Japan and exchange information with external parties to be aware of ESG issues existing in the countries and regions where the Group conducts business operations. We then consider taking appropriate measures for important issues.

## Partnership

### "Declaration of Partnership Building"

Daiwa Securities Group Inc. ("the Company") declares that we will focus on the following items in order to build a new partnership by promoting cooperation, coexistence and co-prosperity with business partners in the supply chain and businesses aiming to create value.

1. Coexistence and co-prosperity of the entire supply chain and new cooperation beyond scale and affiliate

By working with the other business partners through direct business partners (from "Tier N" to "Tier N + 1"), we will work to increase the added value of the entire supply chain, and at the same time, we aim to build coexistence and coprosperity with our business partners through collaboration that goes beyond scale and existing business relationships. At that time, from the perspective of business continuity in the event of a disaster and work style reform, we will also



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promote support such as the introduction of telework for business partners and advice on BCP (Business Continuity Plan) formulation.

#### (Individual item)

#### a. Cooperation between companies

Our mission is to contribute to the development of society and the economy through financial and capital markets, and we are focusing on solving social issues that are becoming more complex and diversified with the times. By providing all of our solutions, including support for industrial development and reorganization, discovery and development of new industries, funding support for solving social issues, and business succession consulting, we aim to maximize value and utility to all stakeholders including business partners.

#### d. Greening efforts

It is also necessary to solve environmental problems in order to create a sustainable and prosperous society. We have formulated the "The Daiwa Securities Group Net Zero Carbon Declaration", and we support a smooth transition to a carbon-free society through financial businesses, including support the realization of a decarbonized society through finance, support for new technologies that contribute to the realization of a decarbonized society, the provision of investment opportunities for them, promoting solution businesses such as advisory businesses for customers in the field of renewable energy. In addition, in order to reduce the environmental load of society as a whole, including the supply chain, we have announced "Our Approach to Green Procurement" that stipulates environmental considerations in procurement activities. Furthermore, in order to strengthen the management system for environmental and social risks in our business, we have formulated the "Environmental and Social Policy Framework" and will work with our suppliers and business partners to solve environmental problems throughout the supply chain.

#### e. Efforts on health management

We will work on practicing health management, public awareness, and health management support for business partners.

#### 2. Compliance with "Promotion Standards"

We will comply with desirable business practices between main subcontracting enterprise and subcontractors ("Promotion Standards" based on the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises), and we will actively correct business practices that hinder the establishment of partnerships with business partners.

#### (1) Price determination method

We will not make unreasonable cost reduction requests. When deciding price, if there is a request for consultation from the subcontractor, we will respond to the consultation and fully discuss it so as to include the appropriate profit of the subcontractor, such as considering the impact of the increase in labor costs. When making a contract, including the determination of price, the parent company will clearly indicate and deliver the contract conditions in writing, etc.

#### (2) Payment terms such as bills

The subcontract price will be paid in cash if possible. When paying by bill, we will try not to bear the discount fee etc. on the subcontractor and make the payment terms within 60 days.

#### (3)Intellectual property and know-how

We will conduct the transaction based on the guidelines and contract templates for intellectual property transactions, and we will not request to make a one-sided nondisclosure agreement, disclose know-how using the transaction position, and transfer intellectual property rights without compensation.

#### (4) Wrinkles due to work style reforms, etc.

In order for our business partners to harmonize to work style reforms, we will not place orders for short delivery times or make sudden changes in specifications to subcontractors without appropriate cost burden. In the event of a disaster,



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we will not impose a one-sided burden on subcontractors in terms of transactions, and when resuming business, we will give consideration to the continuation of business relationships if possible.

#### 3. Others (optional description)

We have "Contributing to society" as one of our Corporate Principles, and we believe that it is our mission to contribute to the development of society and economy through financial and capital markets. With a high sense of morality and duty, we aim to contribute to the sustainable development of the society. We will pursue both social and economic value by emphasizing communication with all stakeholders, including our business partners, and solving social issues that we have grasped through the active communication.

> February 8, 2022 (Updated October 14, 2022) Daiwa Securities Group Inc. President and CEO,

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## **Initiatives for Customer-First Services**

Daiwa Securities Group understands that customer trust is the foundation of our business. Based on the idea of the Customer First Principle, we always try to provide services that deliver genuine customer satisfaction.

We have also adopted the idea of hospitality to enhance our existing concept of customer service. We aim to provide customer service that gives the most satisfaction to customers.

## **Building Deeper, Stronger Trust with Customers**

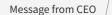
Daiwa Securities aims to build customer satisfaction through quality services, built on understanding customer needs quickly and proposing the best solutions for each customer. We consider providing faithful and appropriate explanations to be paramount. A principle of Japan's Financial Instruments and Exchange Act prohibits "solicitation that is improper in light of a customer's knowledge, experience, financial situation and objectives." Daiwa Securities' approach is rooted in this principle. As a part of our hospitality-based service, when promoting our financial products we strive to provide explanations and post-sale follow-up that exceed the legal requirements. We have also agreed with the purport of the "Principles for Customer-Oriented Business Conduct" announced by the Financial Services Agency in March 2017 and expressed our adoption of the principles, while drawing up and announcing our "Basic Policy on Customer-first Operations."

Moreover, to further improve our services and the quality of our response, we are continuing to conduct customer service surveys. We survey customers regarding their degree of satisfaction with our services and response, and solicit their feedback and requests. Based on the survey results, since FY2017 we have been strengthening our initiatives to improve the quality of post-sale follow-up and enhance the convenience of e-mail services.

### **Basic Policy on Customer-first Operations**

Daiwa Securities Group has agreed with the purport of the "Principles for Customer-Oriented Business Conduct" announced by the Financial Services Agency on March 30, 2017 and expressed its adoption of the principles. The Group has also drawn up and announced its "Basic Policy on Customer-first Operations."

- > Daiwa Securities Group Inc.
- > Daiwa Securities Co. Ltd. (Japanese) 🗇
- > Daiwa Asset Management Co. Ltd. (Japanese) 🛛
- > Daiwa Next Bank, Ltd (Japanese) 🗔
- > Daiwa Corporate Investment Co., Ltd. (Japanese) 🗇
- > Daiwa Real Estate Asset Management Co. Ltd. 🗔
- > Daiwa Connect Securities Co., Ltd. (Japanese) 🗇





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## Introduction of NPS®\* (Net Promoter Score) Towards Realization of Quality No. 1

In FY2018, Daiwa Securities introduced NPS<sup>®</sup> (Net Promoter Score) as an in-house indicator for measuring customer satisfaction. The score measures the degree of customer recommendation and is considered to correlate closely with business performance. We position it as one of our most important management indicators.

When introducing NPS<sup>®</sup>, we implemented sales reforms successively at individual branches to ensure that the aim of the introduction is well understood and established among employees, rather than them merely adopting the score. Thus, it took a year to complete the introduction of the score at all branches. We will further step up our efforts to carry out sales activities from the customer perspective. At the same time, we will build a scheme for implementing a PDCA cycle that incorporates customer feedback and makes improvements, and continuously work to improve NPS<sup>®</sup>.

\* NPS® is a registered trademark of Bain & Company, Fred Reichheld and Satmetrix Systems.

## Improving In-Branch Customer Service Quality

Daiwa Securities strives to provide in-branch services that can satisfy any customer.

With the aim of creating sales branches enabling elderly customers and customers with disabilities to feel secure, we have placed dementia supporters<sup>\*1</sup> and employees with service assistant<sup>\*2</sup> certifications, mostly comprising employees engaged in in-house customer service.

Moreover, in order to ensure that our sales branches are accessible to more customers, we implement a range of barrier-free measures, including reduced variations in floor level, the installation of automatic doors and larger counters, and the placement of cane holders at all counters.

We have also been stepping up our efforts to enhance safety and convenience for elderly customers and customers with disabilities visiting our sales branches. As part of such efforts, we place and make ready for use writing communication boards, communication sheets, cane holders, hearing assistance devices, and other equipment.

\*1. Dementia supporter

A dementia supporter is a person who properly understands dementia and pays warm attention to people with dementia and their families. The Ministry of Health, Labour and Welfare has been stepping up the training of supporters across the country as part of its "Dementia Supporter Caravan" project.

\*2. Service assistant

A service assistant is a person certified as having acquired hospitality and safe assistant skills for providing tailored support for elderly customers and customers with disabilities.

## Initiatives for Elderly Customers and Inheritance

Daiwa Securities has placed Anshin (peace of mind) Planners and Inheritance Consultants as an initiative to provide each one of our elderly customers with optimum consulting and solutions.

Anshin Planners are mainly responsible for elderly customers, providing comprehensive consulting for customers in their later years. The scope of the Planners' work is not limited to asset management but includes the provision of information on health, long-term care, etc. and solutions in relation to gifts, inheritance, etc. to next generations.

Inheritance Consultants are professional staff members appointed from among employees with CFP<sup>®</sup> certifications who have highly specialized knowledge of inheritance and gifts.

We work to provide optimum support to every customer we serve by subdividing our services according to the life stage of each customer and making careful proposals.

In addition to these initiatives, we are focusing on an Inheritance Planner Certification® in order to further develop inheritance and

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business succession professionals. An Inheritance Planner Certification<sup>®</sup> is granted to candidates selected from among employees with CFP<sup>®</sup> certifications after they undergo certification training designed to help them acquire a deeper knowledge of inheritance and business succession. It is an in-house credential at Daiwa Securities.

\* CFP<sup>®</sup> is a financial planner credential certified by the Japan Association for Financial Planners. A CFP<sup>®</sup> holder has specialized knowledge of asset management, taxation, etc.

## Working to Incorporate Customer Voices

At Daiwa Securities, the Contact Center and the Customer Support Center assume the function of utilizing customer feedback.

### **Contact Center Initiatives**

Employees at the Contact Center, which serves as our comprehensive remote contact point, have direct contact with customers and play an increasingly crucial role not only as a transaction channel but also in customer support and marketing. In order to maintain and improve contact center operations to meet the demand for high-quality service, we provide training and regular level checks for all Telephone Service Representatives (TSR). We thus strive to appropriately respond to customers' true needs.

### **Contact Center Functions**

The Contact Center has been a key channel for transactions, supporting the company's business model whose cornerstones are Daiwa Consulting and Daiwa Direct transaction courses. The center now handles calls coming in to sales branches and some dialing support work, thereby acting as Daiwa Securities' comprehensive remote contact center for customers.

To strengthen the functions of the center, we first expanded the scale of the service points in Tokyo and Osaka in 2014 and then established a contact center function in Fukuoka in 2016 as our third service point. We also enlarged the floor area of our service point in Osaka in 2017.

In addition, since 2020, we have also been expanding the functional aspects, including taking over some of the customer support operations of our sales branches.

By further expanding our customer response capability, we aim to enhance our support functions for sales branches going forward to increase customer convenience.

### **Customer Feedback Sent to Contact Center**

The Contact Center receives numerous comments and requests on online trading and Daiwa Securities' other products and services. We share such customer feedback information and requests with management and relevant departments and sections of the head office and utilize them to enhance our services and customer interaction. We also show some of the inquiries received from customers on our website as "frequently asked questions," while sharing them with sales branches in some cases to speed up our responses. We are thus working to raise customer satisfaction from various perspectives.





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### **Customer Support Center Initiatives**

Daiwa Securities' Customer Support Center is a department at the head office that handles customer feedback and complaints directly by phone. It is set up within the Compliance Department of Daiwa Securities.

The Center promptly gives feedback and complaints from customers to relevant sales branches and departments and sections of the head office. It also sorts and analyzes such feedback and complaints, shares them with officers, sales branches, and head office departments and sections, and capitalizes on them as precious information in the aim of "customer-first operations" and "pursuit of best quality."

To respond to customers' calls thoroughly, accurately, and promptly, Customer Support Center members study the securities tax code and Daiwa Securities' services together on a daily basis, and work to improve the quality of their customer services.

#### Inquiries and Complaints Received at the Customer Support Center in FY2022

- Number of calls received: 4,852 calls (up 470 calls) Inquiries: 93% Complaints: 7%
- Based on customer feedback, we have made a number of improvements. For example, we have simplified documents we ask customers to fill in. We have also revised product information on our website to make such information easier to understand, while changing our online branch visit reservation system so that customers find it easier to enter information.

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# **Hiring Initiatives**

# Approaches and Policy

Daiwa Securities Group aims to achieve corporate growth by investing in its people and enhancing their value and views "hiring people" as the first step toward this objective. As we want all our employees to work with a high level of loyalty and motivation, all new college graduates recruited by the Group are brought on as full and regular employees so that newly hired employees will be able to have a sense of trust and pride in the Group, and a sense of solidarity with their colleagues.

Moreover, in order to flexibly accommodate job-seekers, we hire year-round, and new employees may join the company even after April. We are actively recruiting people with diverse backgrounds, while strengthening our mid-career recruitment program, which recruits people with work experience in the industry or other job experience.

We also focus on attracting people capable of excelling globally in order to develop a global network and strengthen alliance strategies. Daiwa Securities Group offers internship programs for prospective new graduate applicants to provide opportunities for gaining firsthand experience in the securities business through interaction with employees.

# Fairness in Hiring

Daiwa Securities Group has formulated and announced its Guidelines for Fair Hiring, comprising three fundamental principles for ensuring fair hiring practices.

We also provide training to employees involved in the hiring process to ensure that they are fully aware of the Guidelines for Fair Hiring.

#### **Guidelines for Fair Hiring**

- 1. Utmost respect for the rights of the applicants
- 2. Eligibility for all individuals who meet the hiring criteria
- 3. Making all hiring decisions based on a fair and objective evaluation of the applicants' ability, aptitude and motivation

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# **Diversity and Inclusion**

# **Approaches and Policy**

One of the areas in which Daiwa Securities Group focuses its efforts is diversity & inclusion. We are working to develop personnel who provide additional value and build an organization in which members thrive as they recognize and respect each other's diversity. We have established the Diversity and Inclusion Promotion Committee and the Sustainability Promotion Committee (formerly SDGs Promotion Committee), both of which are chaired by President and CEO Seiji Nakata and meet on a quarterly basis to engage in discussions.

Discussions at the Sustainability Promotion Committee are reported to the Executive Committee for deliberation and decision-making as appropriate. In order to monitor the degree of penetration and make improvements according to the progress of initiatives, evaluation items related to the promotion of diversity, such as on the creation of an environment in which diverse human resources can play an active role, are introduced into multifaceted manager evaluations. In addition, we are checking the numerical value for the "Diversity and Respect for Individuals" category, as a KPI, in engagement survey results.

# Initiatives to promote the dissemination of systems and the understanding of the approach

#### Use of Group newsletters and Group satellite broadcasting

"Turn diversity into power! Diversity & Inclusion Lab" is a series of articles in our in-house newsletter, which introduces the Group's systems and initiatives for diversity and inclusion, as well as role models that are active in various careers. In addition, the Group facilitates the sharing of best practices in each department via Group satellite broadcasting.

#### Awareness raising activities for managers

The top management continuously communicate the initiatives and objectives of diversity and inclusion, including women's success, at meetings attended by all executives and managers, while training for managers, including all line section managers, is conducted to deepen understanding and instill the concept of a support system for a better work-life balance. In addition, a "multifaceted evaluation" is conducted for all management levels, including directors, department managers, and section managers, with the aim of improving their management skills and the productivity of the entire group by having subordinates evaluate their superiors' daily work activities and providing feedback to the managers. Efforts for diversity are also included as evaluation items, and the results are incorporated into manager evaluations.

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# **Encouraging Women to Succeed**

Daiwa Securities Group proactively appoints talented human resources regardless of gender. In particular, since the percentage of female employees is 40.7% (as of the end of FY2022 at the submitting company and all domestic consolidated subsidiaries), we regard the promotion of women's advancement as the most important issue in the promotion of diversity. In order to further incorporate more diverse perspectives into group management, four female executives were simultaneously appointed in 2009. Currently, Daiwa Securities Group Inc. has five female directors (35.7%), and the Group as a whole has 16 female executives as Directors, Corporate Executive Officers (Shikkoyaku), Executive Officers (Shikkoyakuin), and Audit & Supervisory Board Members. Although the business characteristics and personnel composition of each company differ, in order to promote initiatives groupwide, a "Women's Advancement Meeting" has been held every quarter since FY2014, where human resource officers from each company gather to strengthen cooperation by sharing information on progress and best practices regarding the goals of each company, set in accordance with their respective situations. The increase in the number of role models at each company has made it easier for female employees to envision their career paths. In recent years, the number of female employees seeking career advancement by switching to career-track, broad regional career-track, and regional career-track positions has increased significantly. We have also implemented various systems and measures that are beyond the legal requirements to help women continue to work energetically even after going

through life events such as marriage and childbirth.

Women from our Group have been introduced by Nikkei Inc. in its <u>Nikkei Womenomics Project</u> and by Nikkei Inc. and Nikkei Business Publications Inc. in their <u>Nikkei Women's Empowerment Project</u>. Please have a look. (Japanese only)

## **Commitment by Top Management**

Daiwa Securities Group promotes diversity and inclusion initiatives within the company, while top management makes a commitment by endorsing social organizations and activities.

2015: The Chairman of the Board of Daiwa Securities Group Inc. showed his support for the Declaration on Action by the Group of Male Leaders Who Will Create "A Society in which Women Shine\*" spearheaded by the Gender Equality Bureau of the Cabinet Office.

\* This is an initiative in which male leaders of leading companies that are actively engaged in promoting women's advancement share the Declaration of Action and expand the network of support in order for women to maximize their potential.

2019: Daiwa Securities Group Inc. supports activities of 30% Club Japan\* and the Chairman of the Board and President and CEO started to participate as members.

\* An initiative aimed at increasing the proportion of women in the top management of Japanese companies, setting up the target of boosting the percentage of female members in the Board of Directors of TOPIX 100 companies to 30% by 2030.

2021: We support the "Challenge Initiative for 30% of Executives to be Women by 2030 #HereWeGo203030" proposed by the Japan Business Federation (Keidanren).



#### Targets Related to Initiatives for Empowering Women

Daiwa Securities Group has aimed to raise the ratio of women in director's positions to at least 30% by 2030, and we have set specific targets for the years through FY2025. In this manner, positive steps are being taken to provide an environment in which employees with diverse values can maximize their capabilities.

#### Targets for Years through FY2025 (Daiwa Securities)

- Women account for at least 25% of people managerial positions by FY2025, reaching 30% by 2029
- Continue hiring high quality employees, regardless of gender, and maintain a stable ratio of 50% of women among newly recruited graduates every fiscal year
- 50% of women among participants in training, which aims to provide participants with various skills and improve their expertise
- Continue to maintain a 100% rate of childcare leave use by male employees and a childcare leave duration of 14 days or more

#### Support for Female Employees' Career Development

Since female employees are relatively more susceptible to the impact of life events on their careers, we provide various career development support programs focused on female employees. First, we have encouraged female employees to apply for the career track change system to assume broader job functions and responsibilities so that they can develop their careers more autonomously. As a result, the number of female employees seeking career advancement has increased significantly, with a total of more than 1,680 employees switching to career-track, broad regional career-track, and regional career-track positions. The Professional Return Plan, which rehires employees who left the company for reasons such as childcare or nursing care, has a certain number of users on a continuous basis, while the number of female employees right before being promoted to managerial positions has increased significantly.

We also launched a career support training initiative for female employees (Daiwa Woman's Forum) in FY2014, and from 2018, we have expanded the scope of this training to include managers. These programs have helped female employees to autonomously envision their career paths and contributed to building networks among them.

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#### Appointment of Female Executives and Women in Managerial Positions

Daiwa Securities Group has a total of 16 women in top managerial positions who work as directors, corporate executive officers, executive officers, and auditors. They include five female executives serving as directors and corporate executive officers at Daiwa Securities Group Inc. The number of women in managerial positions is increasing year by year, with the Group's total number standing at 817 as of the end of June 2023. The ratio of women in managerial positions has risen from 2.2% at the end of FY2004 to 16.9% on a group-wide basis (up from 2.3% to 20.8% at Daiwa Securities).

# 14 directors 5 women 35.7%)

#### Number of female executives

#### Formulation of an action plan based on the Act on the Promotion of Women's Active Engagement in **Professional Life**

Since each company in Daiwa Securities Group has its own business operations and personnel structure, each company formulates and publishes its own action plan.

To promote the initiative, we hold a "Women's Advancement Meeting" on a quarterly basis, where human resource executives from each group company gather to engage in discussion. We are further accelerating our efforts to provide an environment in which employees with diverse values can fulfill their full potential.

[A general business owner action plan was formulated and submitted on April 1, 2021]

- Daiwa Securities Action Plan [PDF:139.5KB] ( Japanese only )
- > Daiwa Asset Management Action Plan ( Japanese only ) 🕨
- > Daiwa Institute of Research Action Plan ( Japanese only )
- > Daiwa Securities Business Center ( Japanese only )

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# Support for the Success of Senior Employees

As the careers of employees grow even longer, we aim to provide our employees, who have a wealth of experience, with the new skills they need to stay at the forefront of our times, and to create environments in which they can continue to thrive, thereby contributing to the sustained growth of our company.

Daiwa Securities Group has in place a Senior Advisor System that enables employees with a wealth of experience to play an active role in the workplace. Senior advisors are dispatched to locations of their choice and engage in community-based consulting and sales from a long-term perspective. In FY2017, we eliminated employment age limits for senior advisors, enabling them to continue working regardless of their age. For employees in other positions as well, we have raised the retirement age to 70, provided that certain conditions are met.

In addition, we have created a Senior Fellow System and have established a personnel system for senior employees with outstanding expertise and knowledge who have made remarkable achievements. We support both work and caregiving, and are creating an environment in which employees can thrive without worrying about their future lives.

We have also introduced long service leave for employees in their 20th year and 30th year at the Group. The leave is designed with gratitude to provide employees who have contributed greatly to the Group's development with an opportunity to refresh themselves and spend time with their parents, spouse, and other people around them who always support them.

# **Employment of People with Disabilities**

As of FY2023, Daiwa Securities Group had more than 200 employees with disabilities handling a wide range of responsibilities in our head office, sales branches and contact centers. We started recruiting new graduates with disabilities as regular employees (general office staff) in FY2008, and in FY2011 broadened the scheme to career-track employees, regional career-track employees, and customer service employees. Once people with disabilities are hired, we provide support for their career advancement by, for example, creating opportunities for them to enter the career-track and regional career-track employment opportunities. To further strengthen our support to employees, we also introduced the Daiwa LEAP Plan in 2018. This provides comprehensive support including a leave program for outpatient treatment, subsidies for expenses incurred to start work, and the introduction of support tools according to the type of disability. The Plan is a measure for bringing out employees' talents while taking their respective circumstances into consideration, and developing a pleasant working environment.

We have vigorously increased recruitment opportunities by holding briefings about the company for new graduates, participating in career expos, and implementing job placement support programs for university students with disabilities.

Moreover, Daiwa Securities Group participates in the Accessibility Consortium of Enterprises (ACE), a general incorporated association, as a member. ACE was founded for the purpose of establishing a model for people with disabilities that contributes to corporate growth, and communicating information to society concerning human resources sought by businesses. As of June 2023, ACE has 37 corporate members, mostly large companies. Through the holding of seminars and workshops for human resources personnel and employees with disabilities, as well as issuance of educational brochures, ACE carries out awareness-raising activities for parties concerned, creates role models, and makes proposals to management and society. Our Group's "Daiwa LEAP Plan" initiative received a "Special Award" in the "Environment Creation Category" of the 2020 ACE Awards.

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#### **Employment Rate for Persons with Disabilities**

FY2018	FY2019	FY2020	FY2021	FY2022
2.33%	2.57%	2.58%	2.62%	2.59%

# Promoting increased understanding toward the LGBT community and related issues

As an opportunity to deepen understanding of LGBT issues, LGBT themes are taken up in training for new and young employees, as well as in training for those who have been promoted. A cumulative total of approximately 5,000 have participated in this training to date.

In addition, every year we hold a Human Rights Awareness Workshop for all employees in each department and office, which includes video training and discussion to promote understanding of LGBT issues. In addition, the Group's Compliance and Human Resources departments receive training from the NPO Nijiiro Diversity to deepen their understanding of the fundamentals and case studies of other companies in order to create a comfortable work environment. Our Human Resources department supports employees who are undergoing gender transition by allowing them to take time off. Efforts are also made to promote increased understanding among surrounding employees.

# Promoting Diverse Work Styles (Work-Life Balance)

## Approaches and Policy

Daiwa Securities Group's management strategy states, "Daiwa Securities Group is working to create a working environment which flexibly responds to change and in which all employees can continue to work energetically" and "We are creating a workplace in which no one is left behind by achieving a high degree of work-life balance that enables diverse personnel to thrive". We are making efforts to promote diversity, inclusion and work-life balance, aiming to achieve work styles in which work and life are in harmony, and to enhance the work environment, in which both men and women can work using a variety of work styles.

## Various systems

Childcare leave

Employees can take childcare leave until the day before their child's third birthday.

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<ul> <li>From 2022, wages of up to 4 weeks are guaranteed, in addition to childcare leave at birth and childcare support leave, and in principle, the taking of leave of at least two consecutive weeks is being promoted as mandatory.</li> <li>An environment enabling men to actively participate in child rearing has been developed.</li> <li>The rate of childcare leave use has been at 100% for six years in a row since FY2017. The number of average days of leave taken is 18.6 days The scope of aggregation: Consolidated (all consolidated subsidiaries in Japan)</li> </ul>
Can be taken when the employee accompanies the spouse to a pregnancy checkup and participates in a parents' class, as well as for preparations for hospitalization, etc. before the birth. The leave is designed to nurture an awareness of participation in child rearing among male employees before the birth of a child. This system has been used by a total of roughly 80 employees.
A system that allows employees to leave the company up to 90 minutes early (in 10-minute units) until their children graduate from elementary school
Exemption from overtime work is possible until the employee's children complete the third grade of elementary school. Overtime work can be limited until graduation from elementary school
Up to 5 days per child before elementary school, up to 10 days per year if the employee has 2 or more children (The leave can be taken in a unit of hour).
The Group subsidizes the cost of child care facilities or after-school care until the employee's children reach the third grade of elementary school
Employees can use a babysitting service contracted by the company at a special rate until their children complete the third grade of elementary school. This system has been used by a total of over 1,500 employees.
Offers free-of-charge services that check information on nursery school facilities, the status of availability, and other such matters on behalf of employees, thereby assisting them to find nursery schools. This system has been used over 200 times in total.
If an employee needs to relocate due to marriage, spouse job transfer, nursing care time care, etc., the Group will provide a work position at the new location. Since fiscal 2007, approximately 400 people have used this system
Employees can take up to 5 years of leave if their spouse is transferred overseas. This system has been used by a total of over 70 employees.
The Group pays 2 million yen as congratulations for the birth of the third and subsequent children
Employees can take up to four periods of nursing care leave within 3 years (1095 days) for each family member requiring care

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Nursing care time	Employees can take up to 2 hours per day of family care time within 3 years from the start of use
Nursing care-support leave	Employees can take leave to take care of family members who need nursing care, to accompany them to a hospital, etc. or to carry out procedures on behalf of family members. Up to 5 days per year can be taken (10 days for 2 or more family members, in a unit of hour). A cumulative total of more than 2,000 people have made use of this benefit.
Nursing Care Travel Home Expense Allowance	The Group subsidizes travel expenses incurred when employees return to their parents' home to provide nursing care. A cumulative total of more than 230 people have made use of this benefit.
Life Support Paid Leave	Employees can take paid vacation when it is required for injury/illness, nursing care preparation, fertility treatment, or nursing a child (up to 50 days)
Diversity and Inclusion phone line	The Diversity and Inclusion phone line provides various types of advice to employees regarding balancing work and child care/ nursing care, career planning, etc.
Professional Return Plan (re-hiring of sales staff)	A system to re-employ employees who have retired due to marriage, childbirth, or nursing care, etc. with the same treatment as when they retired. A cumulative total of more than 80 people have made use of system.
Expanded leave system	The Group has defined marriage preparation vacation; kids' ceremony vacation (for children's entrance ceremonies, etc.); family day vacation (to deepen family friendships); parents' longevity vacation (to coincide with longevity celebrations for own or spouse's parents); and volunteer vacation, and encourages employees to take paid vacation
Telecommuting system	This has been instituted in every department, including Sales, as a means of promoting employee autonomy and improving organizational productivity.
Flex time system	Depending on the nature of its operations, a unit can choose flextime (with a required core time) or super flextime (no required core time) to improve organizational productivity.
Daiwa ELLE Plan	Regarding health issues for women who are active at various life stages, the Group provides comprehensive support including measures for the menopause; ELLE vacations (for poor physical condition during menstruation/menopause and fertility treatment); improvement of awareness such as e-learning training for managers; subsidies for specific fertility treatments; and a work-at-home system to balance work and fertility treatment

The Group believes that it is important not only to have a system in place, but also to create a supportive environment. We conduct training on the work-life balance support system for balancing work with child care and nursing care responsibilities to deepen mutual understanding between employees who use the system and those in the same workplace.

In addition, we conduct a survey for all employees about the various systems. We survey the recognition, degree of use, and issues of our systems, while soliciting opinions and requests from employees, to promote further understanding and enhance penetration of the systems. Based on employee feedback, we also review the design and operation of these systems.

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#### Various initiatives

#### Guidelines for balancing work and child care

The Group has established guidelines for balancing work and child care for all employees and department managers so that employees can take child care leave and return to work smoothly. These guidelines encourage appropriate consideration to make it easy for employees to use the system according to their physical condition and individual circumstances. They also promote understanding among other employees, and describe how to distribute work according to the situation and how to provide training as a role model. They go on to describe how to give fair and impartial evaluations and feedback to employees with various circumstances, such as those who will use the system and those who have returned to work. Through training and other measures managers can remain informed and educated.

In addition, the Group has distributed a list of the various work-life balance systems to managers as "Work-life balance systems for balancing work and child care/nursing care that managers need to know about."

#### Expanded support for balancing work and nursing care

The Group is helping employees balance their work and nursing care in various ways. To further improve the environment in which employees with abundant experience and a high degree of specialization can continue to work actively without feeling anxious about future nursing care, the Group established a nursing care leave system that exceeds the legal requirements (up to 1095 days, can be acquired in four periods) and introduced a work-from-home system for all departments including sales departments. Further, following consultations with employees who are providing nursing care and their families, the Group introduced a Nursing Care Concierge Service that can provide various solutions. Moreover, in conjunction with "Nursing Care Day" on November 11th, the Group held study sessions at all branches entitled "Responding to an Aging Society and Balancing Work and Family Care," to raise employee awareness and foster a corporate culture that makes it easy to use the systems.

#### Enforcement of leaving the office before 7 p.m.

Since 2007, led by our policy of creating an environment in which employees can work efficiently within time constraints, the Group has encouraged employees to leave the office before 7 p.m. and has set the goal of achieving a 100% implementation rate in all divisions. Furthermore, the Group has developed guidelines for work and meetings where multiple departments collaborate. The Human Resources Division regularly confirms if employees are leaving the company by 7:00 p.m., and the Diversity and Inclusion Promotion Committee has established a system for verifying the implementation status of this initiative.

Since 2015, the Group has been expanding investment in human resource development by capitalizing on the results of productivity improvements. In addition, in 2017 and 2018, the Group provided a "special allowance for work-life balance and work style reform," and in 2019 provided a "special allowance for productivity improvement." Lump sum payments, funded by the results of productivity improvement, were paid to employees separately from their bonuses.

Further, the Group operates an "hourly leave system" that allows employees to take annual leave in units of one hour, which enables flexible work styles. The Group has also set up the "flextime system" according to the business situation of each department.

#### Promotion of taking annual leave

The Group promotes "taking planned annual leave" for the purpose of improving productivity and work efficiency by refreshing the mind and body and bringing out new vitality. As part of its efforts, the Group introduced a System Usage Calendar and various initiatives, such as Kids' Ceremony Leave, Family Day Leave, Parents' Longevity Celebration Leave, Long Service Gratitude Leave, Expecting Mother Escort Leave, Volunteer Leave, and Marriage Preparations Leave. Employees are made aware of the objectives and importance of the different kinds of leave through training, in-house broadcast, and the like.

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The Group introduced a "System Usage Calendar" that allows all employees in a department to share their plans for using annual leave, continuous leave, and the systems for balancing work with child care (short working hours system, etc.). It is extremely effective in promoting the use of annual leave for all employees, and has become a system that allows each workplace to use the leave systems smoothly.

#### Daiwa WLB\* Station

A work-life balance promotion site exclusively for employees, which introduces the child care and nursing care systems and features content on the subjects of self-improvement and health. It can be viewed from home while on leave, and the bulletin board is used as a communication tool for employees.

\* WLB: the abbreviation for Work-Life Balance



Work-life balance promotion site "Daiwa WLB Station"

#### Legal Compliance

To protect and preserve each employee's rights, the Group regularly monitors the status of compliance with the Minimum Wage Act, the Labor Standards Act "36 Agreement", and other relevant laws and regulations.

#### "Daiwakko" Daiwa Child Care Club

In 2021, we created "Daiwakko," the Daiwa child care club, to provide both work and child care support to expecting mothers and mothers taking care of children, assisting them to improve their skills and shape their careers so that they can feel secure and motivated as they continue to work while expecting children and providing child care. It is hosted on a dedicated site within Daiwa WLB Station and offers ways for colleagues to connect and introduces various ways of using Daiwa's systems.

# **External Ratings for Initiatives**

## Various recognition programs

Since April 2005, Daiwa Securities Group Inc. has formulated an action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children, and has been working to create a workplace environment where employees can work comfortably while balancing their work and family life.

In recognition of this initiative, as of June 9, 2008, the Daiwa Securities Group Inc. received the "Child Care Support Authorized



Sustainability in Our Business



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Company Mark" (known as "Kurumin") from the Ministry of Health, Labour and Welfare as a "company actively working on support for the development of the next generation" based on the Act for Measures to Support the Development of the Next Generation. Furthermore, on March 11, 2016, Daiwa Securities received the "Platinum Kurumin Certification" as an excellent "parenting support company" that is working at a higher standard than companies that acquired "Kurumin."



# Selected for "Nadeshiko Brand" jointly sponsored by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange!

Daiwa Securities Group Inc. has been selected as a "Nadeshiko Brand" by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for eight consecutive years from fiscal 2014 as a listed company that excels in promoting women's advancement. The Group was commended for setting clear goals regarding the promotion of women's advancement and work-life balance and promoting an environment where personnel with diverse values can maximize their abilities.



### Received the symbol mark (known as "Tomonin") from the Ministry of Health, Labour and Welfare for promoting the development of a "work environment that ensures a balance of work and nursing care"!

The Group is continuously working to create a workplace environment that makes it easy to use the work-life balance support systems so that employees can continue to work while balancing work and nursing care.

The Group received the symbol mark (known as "Tomonin") from the Ministry of Health, Labour and Welfare for promoting the development of a "work environment that ensures a balance of work and nursing care"



Sustainability in Our Business



al Social Contribution

Environment / Others

# Human Resource Development and Skill Enhancement

# **Approaches and Policy**

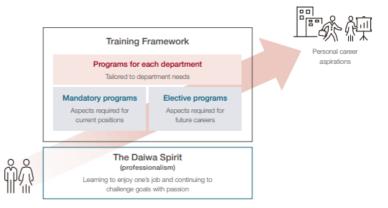
The source of Daiwa Securities Group's competitiveness lies in the capabilities of its employees. In order for Daiwa Securities Group to continue to transform itself and grow sustainably, the human resources (human capital) that make this happen are indispensable. By investing in human resources, we aim to increase their value and leverage the capabilities of our human capital for corporate growth.

With the rapid changes in the business environment, the definition of human resources requirements has also widened. In order to expand the pool of human resources with diverse skills and experience, it is important for all employees to have career ownership, consider what is required of them, and acquire the necessary skills. Therefore, we offer a variety of training programs to help employees autonomously improve their skills.

# **Education and Training System**

Daiwa Securities Group offers both mandatory and elective programs to encourage each employee to realize his or her autonomous career development. Defined as part of duties, the mandatory programs are designed to help employees acquire the skills and knowledge necessary for their current work, while the elective programs aim to help them acquire elements required for their future careers. Frontline departments and the relevant human resources division work together to provide training programs tailored to the needs of each division, enabling employees to acquire more practical skills.

We are also working on developing digital IT personnel by introducing the "Digital IT Master Certification System," for developing human resources that can leverage digital technologies to create innovation within our business, and setting up Daiwa Digital College to improve the IT skills of all employees.



Daiwa Securities Group's Education System



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#### **Training Record in FY2022**

Number of times skills training was held in FY2020:	9 training courses held 18 times
Number of participants	7,758 people
Average hours of mandatory and career development education per employee	37.3 hours
Cost for the Group's educational investment:	¥2.18 billion
Cost per employee	¥173,000

# Training for Young Employees (Daiwa Basic Program for employees in the first and second year of employment; Q-Road for those in the third to fifth year of employment)

Each headquarters defines the image of the employee to be achieved after five years of employment, and the skill set and standards required to achieve that image, based on which each headquarters implements a five-year training program that includes both inputand output-type training. When revision is necessary in line with business strategies, relevant divisions cooperate each other to review the content of the programs. Daiwa Securities Group believes that training new employees receive immediately after joining the company is the most critical and therefore the Group offers a wide range of training programs to new employees. We offer a full range of programs, from education for fostering the high ethical standards and professional mindset required of employees of our group, to specialized training that will enable them to quickly become a competent resource at their respective workplaces.

# Skills Training

We provide all employees with optional skills training aimed at enhancing the skills that employees themselves want to improve. We offer e-learning, which employees can take when it is most convenient for them, and two-way online instructor-led training. We have thus developed a training system that can better satisfy employees' motivation for self-development. For example, in the "Inheritance and Business Succession Master" course, which is led by a practicing tax accountant, employees learn basic knowledge of laws and systems and then acquire practical skills by generating output through case studies. The course helps the participants to acquire the skills and specialized knowledge necessary for conducting high-quality solutions business, and many of participants have stated that the course helped them better understand customers' issues and needs and provide solutions to address them.

## **Development of Next-Generation Leaders**

The Daiwa Leadership Program is a two-and-a-half-month training program for developing next-generation leaders. Developed in cooperation with an external educational institution, the program is offered in an MBA-course format, taught by leading lecturers from outside the company. Participants systematically learn management theory through discussions with the lecturers and peers, and acquire practical knowledge and know-how. At the end of the training, participants make a presentation to our management team to output what they have learned. The program also serves as a good opportunity for group-wide networking among participants selected from each company in the Group.



# Our strategy for Sustainability

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# Supporting Employees Trying to Earn Credentials

Daiwa Securities encourages the acquisition by its employees of Financial Planner (CFP®) and Certified Member Analyst (CMA) qualifications as they are closely related to securities business. The Company set as a sustainability KPI a target of a combined total of 3,000 CFP®s and CMAs by FY2023, and achieved the target at the end of FY2022. In particular, the number of employees with CFP®, which is highly compatible with our "asset management-type business" and is a globally recognized hallmark of professional FP, has surpassed 1,000 for the first time among Japanese companies and organizations, making us the organization with the largest number of CFP®s among financial institutions. In addition, we support our employees in acquiring over 100 different certifications in IT, language, professional services, and other fields so that they can develop a high level of expertise and apply it to their respective jobs.

#### Number of Persons Earning Major Credentials (as of March 31, 2023)

Number of persons earning CFP <sup>®</sup> certifications:	1,469 people
Number of Certified Member Analyst of the Securities Analysts Association of Japan (CMA)®:	1,550 people

# Initiatives for Autonomous Career Development

In order to nurture employees with a mindset that allows them to grow and develop themselves toward their next goals while working diligently on the tasks at hand, the Group encourages autonomous career development and creates an environment that maximizes employee performance.

#### **Career Design Book**

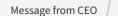
To support the career design of each and every employee, the Group posts "Career Design Book" on the internal portal site, making it available to all employees. The Book showcases a variety of career paths and career tracks, and describes various personnel systems, and education/training programs, as well as benefit programs.

#### Daiwa Securities Group Introduction Website

This site introduces the businesses and culture of Daiwa Securities Group companies and their departments, and visually presents the employee image and skill requirements.

#### Self-Assessment System

We have established a self-assessment system as a twice-yearly opportunity for employees to talk about their careers with their superiors and convey to the Human Resources Department their needs. This system enables employees to share their career vision, strengths, and challenges with their supervisors at one-on-one meetings and communicate to the human resources department their degree of satisfaction with their jobs and also their opinions on the personnel and training systems, the workplace environment, and other matters.



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#### Intra-Group Job Posting System

We have instituted a system of intragroup job postings to help employees with skills and the desire to realize their potential to open new career paths.

# **Evaluation System**

To ensure that all employees can continue working with a high level of motivation, it is important to have a fair and convincing evaluation system. For this reason, Daiwa Securities Group has implemented a multifaceted evaluation system for managers whereby subordinates conduct evaluation. This involves subordinates assessing each manager's job performance in carrying out daily duties and the results being fed back to the manager. The scheme aims to help managers to identify their challenges and improve their managerial skills through training programs and other means, thereby improving our overall productivity. The multifaceted evaluation system covers all managers, including executives, the heads of departments, offices, and sales branches, and section chiefs. Regarding the evaluation of employees, we conduct comprehensive evaluations that take their compliance-related performance into account. In addition, we endeavor to create a personnel evaluation system that motivates all employees, regardless of years they are with us, whether they are young, middle of career, or experienced veterans, to take on the challenges of the next stage of their careers and to work in positions with greater responsibilities. In evaluating employees, we focus mainly on whether, in light of their respective abilities, roles, and responsibilities, they are always changing and continuing to grow in their performance, contribution, and the achievement of the Medium-term Management Plan. Even while on childcare leave, employees are still eligible for promotions as we properly evaluate their contributions to date.



# Declaration on Health Management (Approaches and Policy)

Included in the Group's Corporate Principles is "placing importance on personnel." Based on the idea that the source of the Group's competitiveness lies in the capabilities of its employees, we seek to raise productivity by enhancing employees' well-being<sup>\*</sup> and to maintain high performance as an organization in the future. To this end, we are undertaking strategic measures to promote heath management.

\* Well-being: good physical, mental, and social condition

# **Promotion System**

The Group appointed the executive in charge of human resources as Chief Health Officer (CHO) to promote health management. Executives from each Group company are also actively involved in the promotion. The Group issues a "White Book on Health" annually that analyzes the health status of all Group executives and employees. We also identify issues, and evaluate and improve our initiatives at a Group-wide "Promote Health Management Meeting\*" chaired by the CHO which is held every quarter, thereby implementing the PDCA cycle for health management.

We have been selected as a "Health & Productivity Stock," which is jointly organized by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, for eight consecutive years since 2015 and selected as "Certified Health & Productivity Management Outstanding Organization (White 500)" by the Nippon Kenko Kaigi seven times.

\* Held with the participation of executives in charge of human resources at Group companies as well as the employee unions and the Health Insurance Society

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Promotion System	Daiwa Securities Group Health Insurance Society
Daiwa Securities Group Inc.	Daiwa Securities Group General Health Development Center
Health Management Promotion Meeting Administrative Office: Health Management Promotion Section, Human Resources Department	Daiwa Securities         Daiwa Asset Management           Daiwa Institute of Research         Daiwa Securities Business Center
	* Including other Group companies

Also, the Human Resources Department, General Health Development Centers (infirmaries), and Health Insurance Society closely cooperate and work together. The three parties collaborate with each other, planning and disseminating health measures, and have increased the effectiveness of such measures by exchanging opinions on a daily basis.



# History so far

	Main achievements	External Evaluations
FY2008	<ul> <li>Started specific counseling guidance (metabolic syndrome guidance)</li> <li>The Human Resources Department, General Health Development Center, and Human Resources Department started working together to promote health</li> </ul>	
FY2009	<ul> <li>Introduced a system for checking past health checkup results and various health information online</li> <li>Started following-up with persons with possible medical issues with the "yellow paper" system</li> </ul>	
FY2010	Started walking and quit smoking challenges	
FY2011	Started "Eating to 80% full" (Harahachi) campaign	



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	Main achievements	External Evaluations
FY2012	Started Red Case Support Program (for severely ill persons)	
FY2013		Received the Minister of Health, Labour and Welfare "Extending Healthy Life Expectancy Award"
FY2014	Our Group's efforts were published in the " Ministry of Health, Labour and Welfare White Paper"	健康経営銘柄 Executive Market > Press Release [PDF:85KB] 上
FY2015	<ul> <li>Started point incentive * <ul> <li>Points are given to self-help efforts for employee health promotion.</li> <li>When the points reach a certain level, it is reflected in the employee's salary after age 55</li> </ul> </li> <li>Appointed Human Resources Officer of Daiwa Securities Group Inc. to "Chief Health Officer (CHO)"</li> <li>Implementation of "Promote Health Management Meetings"</li> <li>Established "Health Management Promotion Section" in the Human Resources Department of Daiwa Securities Group Inc.</li> <li>Issued "Daiwa Securities Group White Book on Health"</li> </ul>	シ Press Release [PDF: 114 KB](Japanese only) 上
FY2016	KA-RA-DA iki-iki Project Introduction → Press Release [PDF: 91 KB]{Japanese only}	<ul> <li>Press Release [PDF: 99KB] 〈Japanese only〉 上</li> <li>Ministry of Health, Labour and Welfare- commissioned project "Cancer Measures Promotion Company Action" Received the Minister of Health, Labour and Welfare Award for companies promoting cancer control</li> <li>Press Release [PDF: 80KB] 〈Japanese only〉 上</li> </ul>



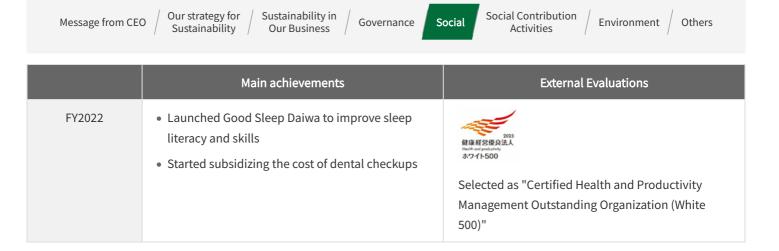
Sustainability in Our Business

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	Main achievements	External Evaluations
FY2017	Introduced Employment Support Plan for Employees with Cancer → Press Release [PDF: 121KB](Japanese only)	<ul> <li>Press Release [PDF: 141KB](Japanese only)</li> <li>Received the Tokyo Metropolitan Government "Company Award for Excellent Initiatives for Balancing Treatment of Cancer Patients and Work"</li> <li>Press Release [PDF: 78KB](Japanese only)</li> </ul>
FY2018	Introduced Daiwa ELLE Plan <ul> <li>Press Release [PDF: 191KB](Japanese only)</li> </ul>	2019 全球経営資格柄 健康経営銘柄 ************************************
FY2019	<ul> <li>Introduced a new health checkup plan (a system that allows people to have a cancer checkup together with their regular health checkup, specific counseling guidance using ICT, online health consultation by a doctor)</li> <li>Started health promotion measures for young customers (fitness app, counseling guidance for people in their 20s and 30s)</li> </ul>	2020 健康経営銘柄 地間 and productivey ホワイト500 > Press Release [PDF: 113KB]〈Japanese only〉 .
FY2020	Introduced Daiwa Online Care > Press Release[PDF:84KB] (Japanese only) 🖪	2021 全国 全国 全国 全国 全国 全国 全国 全国 全国 全国
FY2021	<ul> <li>Mindfulness Training for New Employees in Cooperation with Keio University</li> <li>Introduced smoking cessation during working hours</li> </ul>	<ul> <li>シ Press Release [PDF:165KB] 〈Japanese only)</li> </ul>



# Targets

To measure the improvement of productivity through health management, we use presenteeism<sup>\*1</sup> and absenteeism<sup>\*2</sup> as indicators.

Indicator	Target (FY2030)
Percentage of loss from presenteeism	Less than 10.0%
Average of absenteeism	3.0 days or less

\*1. The state of the employee's work execution ability and productivity declining as a result of coming to work while suffering from some disease or symptom. Calculated by conducting a survey in which employees evaluate their own work in the past four weeks with the work they can perform when having no illness or injury set at 100%. The smaller the value, the higher their productivity.

\*2. The state of being absent or on leave due to illness. Calculated by conducting a survey that asks how many days employees were absent due to illness in the past one year. The fewer the days, the higher their productivity.

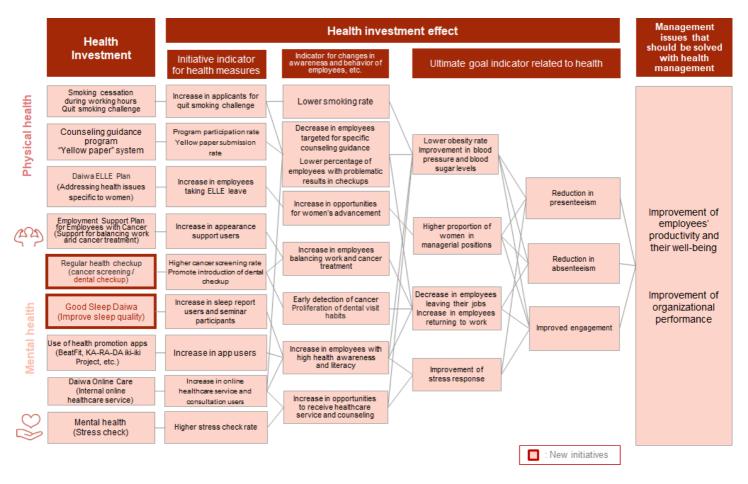
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# Various Health Measures, Their Effects, and Connections with Management Goals Pursued in Health Management (Strategy Map)



# Health issues

As the obesity rate tends to increase with age, it is necessary to increase health awareness when people are still young. The younger generation, in particular, has lifestyle issues, such as a high smoking rate in men and upward trends in the rate of skipping breakfast observed in both men and women. This suggests that measures to maintain a proper lifestyle are important, along with obesity measures.

As for the risk of lifestyle-related disease, the number of people with the level of risk requiring specific counseling guidance is trending upward gradually both in men and women.

Key area	Health issue
Lifestyle	Decreasing employees with health risk (obesity and high blood pressure, in particular) and establishing a healthy lifestyle (smoking, exercise, eating habits, better quality of sleep, etc.)



Cancer	Early detection and early treatment of cancer, support for balancing work and cancer treatment
Mental health	Acquiring stress handling skills, early detection of mental health problems

# Examples of Major Initiatives and Results of Initiatives

### Increased Use of Daiwa Online Care

We offer "Daiwa Online Care," an online healthcare service that is available nationwide, and the use of the service is expanding. The number of online consultations provided exceeded 1,000 in FY2022, the number increasing every year.

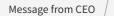
Daiwa Online Care provides consultation on health checkup results and mental health, and smoking cessation outpatient care, in addition to ordinary healthcare. (Costs to be borne are healthcare service fees and medication costs only.) Gynecological care commenced in April 2023 (total of 45 consultations in July, including online).

#### [Diseases eligible for the service]

Pollen allergy, allergic rhinitis, chronic hives, hypertension, diabetes mellitus, dyslipidemia, digestive diseases (reflux esophagitis, chronic gastric discomfort/sensation of gastric distension, gastritis, irritable bowel syndrome, etc.), respiratory diseases such as asthma, hyperuricemia, chronic backache, chronic headaches, smoking cessation outpatient care/consultation (doctor/public health nurse), gynecological care/consultation, health consultation (industrial physician), mental health consultation (psychiatrist/clinical psychologist)

#### [Flow of usage]





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#### Daiwa ELLE Plan

Women have various health issues depending on their life stage, and the national government encourages men and women to deepen their understanding of each other's health issues associated with gender differences, while promoting health support that takes gender differences into account. Against this background, we have provided women's menopause support, established ELLE leave (leave for menstrual/menopausal conditions or infertility treatment), improved employee health literacy, and enhanced support for balancing work and infertility treatment. As a result, various effects have been shown, such as improved productivity, reduction in the rate of employee turnover due to infertility treatment, and increase in women in managerial positions.

## Daiwa ELLE Plan

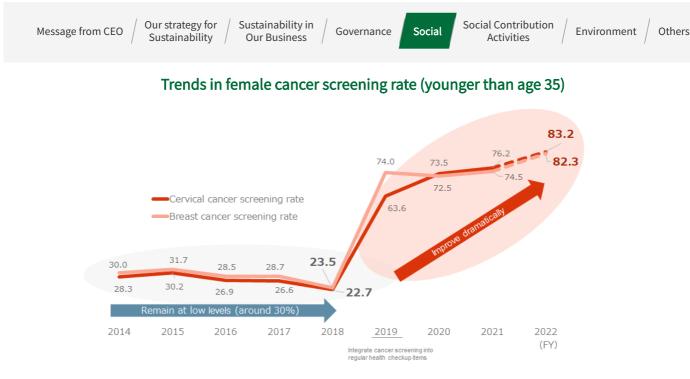
	20s to 60s					
Checkups	Subsidies for breast cancer and cervical cancer examinations (Employees aged younger than 35 years)       Image: Concer screening (Concer screening) (employees aged 35 years or older) *Options for the milestone ages of 50, 55, and 60					
Pregnancy and childbirth	• Maternal health management © Childcare leave					
Leave	©ELLE leave (available for menstruation-related health issues, fertility treatments, menopause-related health issues) ©Annual paid vacation ©Annual leave by the hour ©Life support paid leave (to be available in half-day increments) ©Unpaid leave					
Improvement of health literacy	<ul> <li>Dissemination of information on women's health</li> <li>Implementation of training on health by doctors and health nurses (carried out in training for new employees and on other occasions)</li> <li>"Strengthen Team Power—What Supervisors Should Know about Subordinates' Health" (for all employees in managerial positions) (e-learning)</li> <li>KA-RA-DA iki-iki Project "Kokokara Beauty—Health Lecture for Working Women"</li> <li>Health literacy course for working women "Women's health: For the present, future and the next generation"</li> </ul>					
Consultation service	•Gynecological care/consultation by gynecologists at General Health Development Centers © first call					
Support for balancing work and treatment	<ul> <li>Support for balancing work and fertility treatment</li> <li>ELLE leave 'Teleworking 'Life support paid leave 'Specific infertility treatment subsidy program</li> <li>Medical expense loans from the Mutual Aid Society 'High medical expenses subsidy program</li> <li>Training for employees in managerial positions and lectures on health literacy for women</li> <li>Consultation service</li> <li>Employment Support Plan for Employees with Cancer, a support system for balancing work and cancer treatment</li> </ul>					

\* The symbol ◎ in the table indicates systems and measures that can be used regardless of gender.

\* The number of days off taken under the ELLE leave system totaled 4,895 in FY2022.

## Continuous Improvement in Female Cancer Screening Rate

Since FY2019, cancer screenings have been integrated into the regular health checkup items, resulting in a substantial improvement in the screening rate. The proportion of female employees receiving the most recent cervical cancer screening and breast cancer screening exceeds 80% for both types of screening.



(Source) Daiwa Institute of Research

Note: The survey was conducted on all female workers affiliated with the Group.

#### Upward Trend in Younger Generation with Exercise Habits

The proportion of young employees (in their 20s and 30s) with exercise habits is consistently increasing, for both men and women. The upward trend continued even during the COVID-19 pandemic in 2020, and we consider this to be due to Beatfit, a fitness app introduced in 2019, helping to attract employees were not in the habit of exercising.

We also urge employees to participate in KA-RA-DA iki-iki Project\* and continue to enhance their awareness of healthy lifestyles.

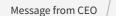
\* The amount of investment in KA-RA-DA iki-iki Project is approximately ¥2.30 million. In a survey of participants, 27% of the respondents answered that they were "very satisfied" and 55% "satisfied."



#### Proportion of employees with exercise habits

(Source) Daiwa Institute of Research

Note: Subjects were employees then registered. The percentage of respondents who answered in the interview sheet that they "walk or engage in equivalent physical activity in daily life for at least one hour a day"



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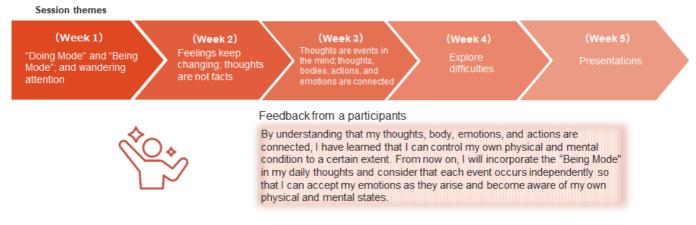
### Expansion of Mental Health Support (Mindfulness Training)

Generally, employees in their first and second years are more likely to feel stress under a new environment. We have therefore introduced Mindfulness Training for new employees as an initiative for mental health. The training is provided in collaboration with the Center for Stress Research, Keio University and customized to the Group.

#### Outline of Mindfulness Training

#### Implementation method and objectives

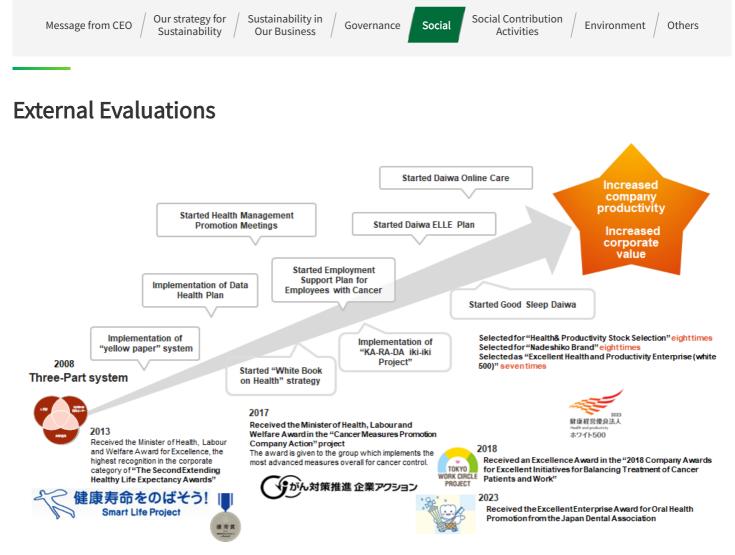
- Conduct the MBCT program\*, which has been proven to ease anxiety symptoms, by inviting psychiatrists from Keio University School of Medicine as instructors
- Conduct the program for 1.5 hours per week for five weeks during the period of new employee training from April to June (via Zoom).
- Acquire the skill of observing one's own thoughts, feelings, and physical and breathing states, as well as the skill of maintaining distance from unwelcome thoughts and feelings
- Stop repeating negative ideas and actions and become better able to handle anxiety and stress



\* MBCT program: Mindfulness-based cognitive therapy

# Initiatives to Support Health Management at Other Companies

Within our Daiwa Group, Daiwa Institute of Research provides mission-critical business systems and data analysis services to health insurance associations nationwide, and holds the largest market share in the industry. In the "Third Data Health Plan" starting in FY2024, we will provide packaged data analysis services covering not only specific health checkups and specific health guidance, but also women's health issues, cancer, mental health, and other conditions. In addition, we have independently developed an "Employee Well-Being" tool that assesses the health and well-being of employees and provides reports to our corporate clients. By using this service, our clients can understand issues in their health and productivity management and human capital management. Through these health data analyses, we contribute to the enrichment of employees' lives and sustainable corporate activities.



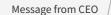
\* We explain the Group's health management initiatives to business partners who have made inquiries.

#### Other related data

		FY2020	FY2021	FY2022	
Obesity rate (30s)*1		Men	27.5%	25.5%	25.7%
		Women	10.0%	9.3%	9.9%
Smoking rate		Men	29.5%	28.7%	27.1%
		Women	7.1% 6.6%		6.2%
Exercise habits rate	(20s)	Men	27.0%	27.8%	28.5%
		Women	15.2%	16.2%	16.9%
	(30s)	Men	21.9%	23.1%	23.8%
		Women	11.7%	12.0%	13.7%

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		FY2020	FY2021	FY2022
Proportion of employees taking enough rest through sleep		69.2%	69.2%	67.9%
Average percentage of loss from presenteeism*2		17.0%	15.2%	12.6%
Average of absenteeism*2		3.4 days	3.4 days	3.1 days
Engagement survey*3		-	81%	79%
Work Motivation Survey*4	Work	3.3	3.3	-
	Organization	3.2	3.3	-
	Colleagues	3.2	3.3	-
	Growth / Career advancement	3.2	3.3	-
	Compensation	3.0	3.1	-
Female ratio in managerial positions	(consolidated)	13.7%	15.1%	16.6%
	(Daiwa Securities alone)*5	16.3%	18.3%	19.7%
Stress check	Stress check rate 90.8%		91.8%	91.3%
Ratio of employees with high stress		11.4%	10.2%	11.2%
Regular health checkup rate		100%	100%	100%
Medical institution attendance rate for employees with problematic results in regular health checkups		80.5%	82.2%	82.9%

- \*1. Target: Reduce the obesity rate for employees in their 30s by 30% from FY2018 by 2024 (men 20%, women 8%). From FY2021, the target was changed from the obesity rate at age 35 to the obesity rate for employees in their 30s.
- \*2. A total of 12,717 employees responded to the survey (with the response rate reaching 98%).
- \*3. Sustainable engagement implies employees' great commitment to making contributions to the achievement of the organizational targets and strong sense of belonging to their organizations, which can be maintained in a productive working environment and on the precondition that the employees are healthy both physically and mentally. According to Towers Watson, companies with high scores in terms of sustainable engagement tend to exceed the industry's average growth rate in their business. The awareness survey started to be conducted for Daiwa Securities alone in FY2021 and has been conducted on a group-wide basis since FY2022. (The figures are for the surveys conducted in the latter half of the fiscal year, respectively). To the survey conducted in the latter half of FY2022, 11,313 employees replied, and the response rate reached 90%. The figures were provided by the survey partner Towers Watson.
- \*4. Ended in FY2021.
- \*5. Target: At least 25% by 2025.
- \* We hold safety and health committee meetings with the participation of the employee unions. For FY2022, we had a total of 41 occupational and commuting incidents (such as minor injuries).



Our strategy for Sustainability

Sustainability in Our Business



Social Contribution Activities

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# Communication with Employees

# **Approaches and Policy**

Daiwa Securities Group has established various opportunities to receive feedback from employees under the belief that good communication with employees is vital for a better workplace environment.

We will continue to identify areas for improvement in our systems and initiatives and utilize inputs from employees for creating an even better workplace environment.

# Systems to Receive Feedback from Employees

## Self-assessment system

We have established a self-assessment system as a twice-yearly opportunity for employees to talk about their careers with their superiors and the Human Resources Department. This system enables employees to communicate to the Human Resources Department their career visions and also their degree of satisfaction with their jobs and their opinions on the personnel and training systems, the workplace environment, and other matters. Daiwa Securities Group uses such feedback to develop an environment that enables employees to work with a high level of motivation.

# **Engagement Survey**

In August 2018, we started Work Motivation Survey as a monitoring indicator to increase employees' motivation to work and realize a virtuous cycle of higher employee satisfaction and higher customer satisfaction. We also introduced an Engagement Survey in February 2022 to ensure that the motivation to work leads to the further growth of employees and further improvement in productivity and business performance. We will develop a climate and system that enable employees to play more active roles by continually increasing engagement through a productive workplace environment and employees' physical and mental health.

## Implementation of Survey on Human Resources Measures

We regularly conduct surveys on human resources measures for all employees. We incorporate employees' feedback, and have upgraded various support systems for D&I in general, and for child rearing and nursing care for family members. We conduct interviews with employees returning from childcare leave after a certain time has passed in an effort to resolve any worries they may have and provide a support system that employees can use until their children finish elementary school.

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We regularly conduct a survey on work-life balance and balancing work and childcare/nursing care for all employees. In 2020, more than 7,000 employees responded to the survey. In addition to grasping the status of use of and requests for the systems, we revise the design and operation of the systems based on the feedback from employees.

## Interviews with Superiors (Assessment and 1-on-1)

To give feedback on assessment results, we conduct interviews with department and sales branch heads twice a year, thereby sharing future goals and career development with them and providing appropriate guidance and advice to each employee. In addition, oneon-one meetings are held at least twice a year for each employee as opportunities for supervisors to understand their subordinates' problems, challenges, and aspirations, to share how to overcome them and how to achieve their goals, with the aim of guiding them toward fulfilling the expected functions in line with corporate strategies.

# **Communication among Employees**

In October 2007, Daiwa Securities introduced a program for supporting club activities. This program was created to help employees enjoy their time off and deepen their friendships with colleagues, building more opportunities for sharing a sense of camaraderie and solidarity. It is also intended to support work-life balance and facilitate a fuller social life for employees. Under this program, employee groups that meet certain conditions are recognized as Daiwa Clubs or Daiwa Circles, which receive subsidies to cover some of their activity costs.

As of August 2022, there are 21 Daiwa Clubs and four Daiwa Circles.

#### Internal online social network: ANSWERS

In 2021, we introduced ANSWERS, an internal online social network through which employees can feel at ease consulting with each other, help each other with difficulties, and build networks. The network provides employees with opportunities to meet role models, broadening their perspectives regarding future career advancement, as well as to communicate with the management.

# **Relationship with Employee Unions**

The Group supports the Ten Principles of the UN Global Compact, which include Principle 3, "Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining," and respects freedom of association and the right to collective bargaining.

Based on labor agreements signed with employee unions, we regularly hold labor-management negotiations on bonuses and other compensation and the working environment, thereby building a sound labor-management relationship.

We also increase opportunities for learning the opinions of our employees and improve communication through surveys conducted by employee unions, direct dialogue between management and union members, and other activities.

As of the end of FY2022, 6,280 employees belong to employee unions, and the union membership ratio is 54.8%.



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# **Initiatives with Families**

We work to ensure that members of employees' families share their pride in being part of the Group. Since FY2008, we welcome employees' families to the workplace on Family Visit Day to give family members a better understanding of our company and the employees' jobs. Other initiatives for supporting our employees' families include the new creation of Kid's Ceremony Leave, Family Day Leave, and Parents' Longevity Celebration Leave, as well as the extension of mental health support to employees' families.

# Family Visit Day

Since 2008, the Group has been carrying out "Family Visit Day" events in which we thank the families who support our employees every day and invite them to the workplace.

Held at the head office and branches nationwide, these events are popular with employees and their families. In 2020, these events were held online for the first time, and roughly 5,800 family members participated.



# Active Use of In-House Magazine

Daiwa Securities Group issues an in-house magazine, "Fuji," whose history dates back to 1925, when one of the company's predecessors, Fujimoto Bill Broker Bank, commenced its publication. The content covers a broad scope, including the basic management policy, a message from top management, specific sustainability initiatives (includes ESG and improvement of environmental awareness), information from Group companies, profiles of winners of awards presented by Daiwa, overview of Family Visit Day events, explanations of our welfare and human resources systems, human rights issues, and our internal whistle-blowing system (how it works and its usage status). By including information that traverses the Group, our intention in producing the magazine is not only to engender communication among company employees but also to further the Group culture, the sense of connectedness and exchange of knowledge. In addition, the magazine is also posted on the work-life balance promotion website for employees, making it viewable to company employees who are currently involved in child rearing, nursing family members or are on leave from work.

# **Financial Wellness**

If the financial condition (household finances) of employees deteriorates, not only will their stress and psychological burden increase, leading to decreased productivity and motivation, but also misconduct by employees will be more likely to occur, which may have a

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negative impact on the credibility of the Group. The Group strives to maintain and improve individual financial health by encouraging employees to manage their money appropriately. To this end, we support the financial independence of our employees by providing "scholarship repayment support loan" to reduce the burden of scholarship payments, and by granting incentives for the employee stock ownership association and Tsumitate (installment-type) NISA. In addition, we offer a property accumulation savings plan, a stock option plan, and a loan plan for home acquisition, as well as a defined contribution pension plan (401K) for post-retirement asset building, with the aim of raising the level of employee happiness and satisfaction and boosting productivity.

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# **Basic Policy for Social Contribution Activities**

Daiwa Securities Group has formulated the Basic Policy for Social Contribution Activities to strengthen its governance structure to oversee and promote the implementation of social contribution activities.

#### 1. Objective

Daiwa Securities Group proactively engages in group-wide social contribution activities to gain the trust of stakeholders, including our customers, shareholders, investors, local community, and NPO. The Group recognizes that contributing to society, one of the core values portrayed in the Corporate Principles and the Daiwa Spirit, will lead to improving corporate value. By solving social issues through its business activities and pursuing both corporate social values and economic values at the same time, the Group works actively on creating a sustainable and prosperous society.

Under such circumstances, the Group has formulated the Basic Policy for Social Contribution Activities. The purpose of the policy is to strengthen its governance structure to oversee and promote the implementation of social contribution activities. While working closely with stakeholders, the Group publicly discloses its activities and outputs. The policy was approved by the Head of Sustainability and will be revised regularly for the purpose of building a better society in partnership with our stakeholders.

#### 2. Priority Areas

The Group considers it important to work together with both internal and external stakeholders as a good corporate citizen engaging in consistent collaboration with the both local and global communities to foster sustainable development. The Group's focus areas for social contribution activities are:

#### • Financial Education and research

Capitalizing on economic and financial expertise accumulated through its securities business, the Group provides education programs and supports for various generations in order to help develop the capacity to build their own lives and the asset management skill.

#### • Contribution through foundations and NPOs

To realize a prosperous society, the Group provides support where needed by delivering funds and grants to NPO/NGO.

#### • Support for culture and the arts

The Group provides support for a wide range of cultural and artistic activities. These include exhibitions, classical concerts, and sports.

#### • Corporate citizenship initiatives

The Group believes that employee volunteering helps broaden their perspectives and familiarize them with different values. This, in turn, has a good influence on both their work and lives. For this purpose, the Group provides its employees with information on volunteer projects planned by ourselves and NPO/NGO as well as events that help raise their awareness. The Group also makes participating in volunteering easy by setting up a recognition program and introducing volunteer leave.

Message from CEO       Our strategy for Sustainability       Sustainability in Our Business       Governance       Social       Social Contribution Activities       Environment       Others
3. Principles for Implementation & Monitoring Mechanism
Donations or grants provided to organizations are determined based on their credibility, continuity, and effectiveness in accordance with internal regulations. Upon receipt of progress reports by grantees, the Group monitors and evaluates their grant utilization and reporting framework.
4. Related SDGs
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Please refer to the following for the details of our social contribution activities.

- > Financial Education and Research
- > Contribution through foundations and NPOs
- > Support for culture and the arts
- > Corporate citizenship initiatives



Capitalizing on financial and economic expertise accumulated through its securities business, Daiwa Securities Group provides education programs and supports for various generations in order to help people develop the capacity to build their own lives and the asset management skill.

On-site Classes, Seminars, and Workplace Tours	~	<ul> <li>Initiatives to Enhance People's Financial Literacy</li> </ul>		~
Message from the Head of Financial Education		~	Our Concept & Promotion Structure	~

# **On-site Classes, Seminars, and Workplace Tours**

Our group provides on-site classes, seminars, and workplace tours for local schools, the general public, and corporations, etc.



# Initiatives to Enhance People's Financial Literacy

Daiwa Securities Group promotes various initiatives to enhance people's financial literacy.

#### Provision of Web Contents

#### Official Daiwa Securities Group Channel (YouTube)

ightarrow Click here for the official Daiwa Securities Group Channel (YouTube) (Japanese only)  $\Box$ 

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In 2000, Daiwa Securities Group began "Daiwa Securities Information TV," Japan's only TV channel dedicated to securities information, on the multichannel pay TV broadcast service "SKY Perfect TV!" Since April 2011, "Daiwa Internet TV," an owned media that can be viewed by anyone online, has been produced and distributed from our own studio, and since April 2022, financial and investment programs have been similarly produced and distributed on the "Official Daiwa Securities Group Channel" on YouTube, a free video distribution platform. We distribute information on the Tokyo market five times a day in a timely manner, while providing local market information from Hong Kong and New York every day.

In addition to these daily programs, we distribute corporate information as well as video reports where analysts and economists at Daiwa Securities and DIR provide commentaries on current issues in an easy-to-understand way.

On a new program called "Take Note! SDGs/ESG Investment will Change the World" that was launched in July 2020, Daiwa Securities strategists provide straightforward explanations of SDGs/ESG investment.

Our Daiwa Internet TV initiative was introduced by the SDG Industry Matrix for Financial Services (issued jointly by the United Nations Global Compact and KPMG International in 2015) as a case for Goal 4 "Quality Education." The report highlighted Daiwa's timely and free of charge provision of a variety of financial and investment information.

We will continue to make efforts to produce programs that can be viewed by not only investors but also those who are new to investment, and that can support the journey from savings to asset building.

## Production of Financial Educational Materials on Stocks

#### Financial Educational Material: "Let's Study Stocks"

Following the move to digitize schools under the government's GIGA School Program, we created a new PowerPoint educational material for learning about stocks. With teaching plans and example descriptions included in the PowerPoint notes, the material is designed for immediate use in school classes.

(Published by DAN Advertising, Inc.)



## Support to Oshigoto Museum

Since FY2016, the Group has been supporting the Oshigoto Museum, a career education support project for elementary and junior high school students (organized by The Asahi Shimbun Company). The project provides information on working and various jobs via the "Oshigoto Almanac" (book) and the Oshigoto Museum (website) to help children visualize their future careers.

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### **Oshigoto Museum (website)**

In addition to information contained on the pages of the "Oshigoto Almanac" (book), this website gets children to learn through quizzes and other game-like activities.

➤ Click here for details [Japanese] □

### "Oshigoto Almanac" (book)



Our Group's pages include explanations about stocks, bonds, and the work of securities firms. In addition to being donated to elementary schools, junior high schools, and Kodomo Shokudo (children's cafeterias) nationwide, excerpts from the "Oshigoto Almanac" are also distributed free of charge via EduMall (an educational content distribution service provided by Uchida Yoko).

### Number of copies published to date

FY2018	FY2019	FY2020	FY2021	FY2022
64,000 copies	67,000 copies	75,000 copies	70,000 copies	75,000 copies

### Group publications page

- "Oshigoto Almanac 2022" Tips and tricks on dealing with money [Japanese]
- "Oshigoto Almanac 2021" What are SDG Bonds? [Japanese]
- "Oshigoto Almanac 2020" What does a securities analyst do? [Japanese]
- "Oshigoto Almanac 2019" What happens in a trading room? [Japanese]
- "Oshigoto Almanac 2018" <u>What jobs do people do at a securities company?</u> [Japanese]
- "Oshigoto Almanac 2017" <u>How can money be raised to expand a company?</u> [Japanese]
- "Oshigoto Almanac 2016" <u>What are stocks? [Japanese]</u>



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### **Experience-Based Programs**

### Sponsoring the Kidzania

We exhibit the "Securities Company" pavilions at "Kidzania Tokyo" and "Kidzania Koshien." Children aged 3 to 15 can experience various professions in society there. At our pavilions, as consultants for the securities company, they conduct research on investees (pavilions) that meet the investors' needs and compile the results into a report.

They will be able to understand about investments and learn that customer trust is important.



Kidzania Tokyo

### Finance Park (Experienced-Based Program of Financial Decisions for Life)

Daiwa Securities Group cooperates with Finance Parks operated by Junior Achievement Japan, a public interest incorporated foundation. This program provides opportunities for junior high school students to learn economic and financial mechanisms that will be necessary for them in their adult life. Finance Parks have been operating in Shinagawa, Iwaki, and Sendai.



### Finance Park

### Number of participants in Finance Parks for FY2022

Shinagawa	Iwaki	Sendai	Total
1,663 peoples	2,690 peoples	7,931 peoples	12,284 peoples

### **Educational Initiatives and research**

### As a Starting Member of the Platform for Promoting STEAM Education

Daiwa Securities Group took part in the Platform for Learning Innovation Japan (PLIJ), a collaboration of industry, university, government, public, and schools to promote STEAM education<sup>\*1</sup> in Japan.

In the 6th Science, Technology, and Innovation Basic Plan (Cabinet decision in March 2021), the promotion of STEAM education is listed as one of the measures for realizing Society 5.0\*2. The platform established by the Council on Competitiveness-Nippon (COCN) is expected to include a library of STEAM education materials and a network of human resources to support STEAM education. We will contribute to the platform by providing educational content in the fields of economics and finance which we have accumulated through our securities business.

- \*1. Cross-disciplinary education to utilize learning in each subject such as Science, Technology, Engineering, Arts, Mathematics, etc. for finding and solving problems in the real world
- \*2. A human-centered society that balances economic advancement with the resolution of social problems by a system that highly integrates cyberspace and physical space

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# Example of Business-Academia Collaborations: University of Tokyo Hongo Tech Garage (Donation Project by Daiwa Securities Group)

Daiwa Securities Group supports the University of Tokyo Hongo Tech Garage, which was established by the University of Tokyo in 2016 as a site to advance entrepreneurship education (a donation project by Daiwa Securities Group). To date, more than 500 students have participated in the project, leading to the launch of several companies each year. Among such companies, teTra aviation corp., has achieved success. Established in 2018, the company became the sole prize-winning team in the world competition for personal flying devices sponsored by Boeing in February 2020.





# Message from the Head of Financial Education



Daiwa Securities Group Inc. Senior Managing Director Head of Financial Education Toyo Abe Due to the lowering of the adulthood age in Japan, people will start living as adults from the day they turn 18. Therefore, it is important to receive financial education from an early age, such as in elementary school. Financial education is also essential for working adults to have fulfilling 100-year lives.

Daiwa Securities Group will work as a group to improve the financial literacy of a wide range of people through its own activities and cooperation with various organizations and companies.



Our strategy for Sustainability

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# **Our Concept & Promotion Structure**

### **Our Concept** To improve the financial literacy of a wide range of people and enable them to fulfill their lives, we promote "From Savings to SDGs" and create the future through everyone's action. **Promotion Structure** Daiwa Securities Group Inc.'s Head of Financial Education Office of Financial & Economic Education Promotion, Sustainability Promotion Office, Corporate Planning Dept. Financial & Capital Market Research Dept. (Daiwa Securities Group Inc.) (Daiwa Institute of Research, Ltd.) · Teach at On-site classes · Plan and supervise our strategy of financial education and track records Plan and product teaching materials and contents · Internal and external contact point · Internal contact point, etc. Collaborate **Financial Education Working Group** Composed of related departments and group companies

	Elementary School/ Junior High School/ High School Students and Teachers	University Students/ Young Working Adults (18-29 years old)	Working Adults/ Seniors
Provision of Teaching Materials	Dissemination of Financial and Economic Classes through the Provision of Teaching Materials		
Clas	Classes for Children and Students	Life Planning Ser	ninars
Classes	Trainings for Teachers	Endowed Lectures for Colleges and Universities	
Web C	Promotion and Popularization of Investmen	nt through Game Apps and Other Platforms	
Web Contents		Webinar and Video Distribution of Inv	vestment Information, etc.

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# For Your Dreams - Daiwa Securities Group Children's Smile Project

### **Outline of the Project**

Since 2017, the Daiwa Securities Group has been working on the "For Your Dreams - Daiwa Securities Group Children's Smile Project" to help solve the problem of child poverty.



# Why do we support the future of children?

"The financial and capital markets are a symbol of capitalism, and its benefit securities companies have been receiving. Meanwhile, capitalism can generate a disparity, becoming a cause for child poverty, which is a distortion of society. For this reason, we recognize the need to contribute to solving the poverty issue by using sound profits that we have gained from our core businesses.

Progressively declining birthrates and an aging population resulting in a decreased number of children shouldering Japan's future will significantly affect the sustainable growth of the country.

Child poverty generates many side effects, such as inadequate education, possibly leading to a situation where the children shouldering the future of Japan cannot acquire enough qualities as members of society."

Eradicating child poverty is an extremely challenging goal that cannot be achieved overnight. However, we must now work to improve the environment surrounding children and break the chains of poverty.



View details

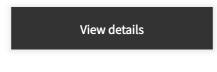


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# Disparity in Children's Environment at Present

The following report from Daiwa Institute of Research shows the degree of severity of child poverty issues in Japan at present.



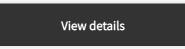
# Daiwa Securities Group Future Support Bonds Child Support Group Sustainable Fund

The Daiwa Securities Group decided to donate \102.5 million of the total amount raised through the issuance of bonds (nicknamed "Daiwa Securities Group Future Support Bonds") in June 2020 to the "Daiwa Securities Group Future Support Bonds Child Support Group Sustainable Fund," which was established in collaboration with the Public Resources Foundation.

View details

# Daiwa Securities Group Child Support Fund for Bright Future

The Daiwa Securities Group has created "Daiwa Securities Group Child Support Fund for a Bright Future" in collaboration with Public Resources Foundation, a public interest incorporated foundation. The Fund is designed to improve the environment for children and break the chains of poverty. It assists groups supporting children's future.



# Santa Charity Program >

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# Why Daiwa Securities Group is Working to Support Children

The financial and capital markets are a symbol of capitalism, and securities companies have benefited from them. On the other hand, capitalism can cause disparities and contribute to the poverty of children, which is also a strain on society. That is why we believe that we should use the sound profits we earn from our core business to help solve the problem of poverty.

The declining birthrate and aging population are advancing in Japan, and the reduced number of children who will carry the future of the country will also have a major impact on Japan's sustainable growth.

The problem of child poverty has many side effects, such as the inability to receive necessary education, and it also leads to the situation in which the children who will carry the future of Japan cannot gain the qualifications they will require as adults.

Eliminating child poverty is an extremely high goal that cannot be achieved overnight. However, it is now necessary to improve the environment surrounding children and stop the chain of poverty.

# Message

# Our desire to support children

In the past, I have personally donated items such as toys to children's homes. That was because there was a facility next to the kindergarten where my daughter used to go.

I am deeply concerned by the growing problem of child poverty in recent years. The future of children is connected to the future of Japan, so if the problem of child poverty is left unresolved, it will have a great adverse effect on the economy. As beneficiaries of the market economy, securities companies should face up to this problem.



Daiwa Securities Group Inc. President and CEO Seiji Nakata

In the first open call for participants to the "<u>Daiwa Securities Group Child Support Fund for Bright Futures</u>", more than 100 organizations from all over Japan applied. Going forward, we would like to continue to support organizations that are engaged in activities in their respective regions that help solve the problem of child poverty.

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In addition to the company's support activities, we started the "Santa Charity Program" last year, in which Group officers and employees and ex-employees can participate voluntarily, and we received more donations than expected. It is important that these efforts have the support of each and every person involved and are continuously carried out. In the future, I hope that they will become part of voluntary efforts to tackle various social issues.

### Our strategy for Sustainability

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# Disparity in children's environments

# Child poverty in Japan: hidden from view

Japan is a rich nation—is child poverty really such a serious problem? The difference today is that poverty is hidden from view; for this reason, it is vital we use data to visualize the reality of child poverty.



Mikio Mizobata Senior Researcher Economic Research Department Daiwa Institute of Research Ltd.

# 1. Child poverty close to home

When measuring poverty, using absolute income levels is appropriate if it is a question of the minimum income required to survive—as in developing countries, for example, or post-war Japan.

On the other hand, in developed countries and in general use, poverty is defined as having an income level below which there is a risk that a person lacks the resources necessary to lead a dignified life—this can take various forms, but includes becoming more socially isolated, or suffering deteriorating health.

This is known as the "relative poverty rate," and is defined as the percentage of people who do not earn half or more of the median per person household income in that country. It is known as the "relative" poverty rate, since it defines poverty as a relative income.

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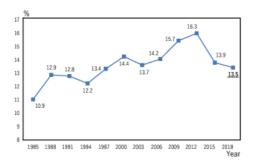
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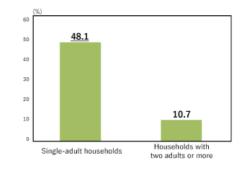
Environment / Others

Child poverty rates



- Note: "Child poverty rate" is defined as the percentage of children aged 17 or below, whose equivalent disposable income is below the poverty line
- Source: Compiled by the Daiwa Institute of Research, based on the Ministry of Health, Labour and Welfare's "Comprehensive Survey of Living Conditions"

# Poverty rates among working households with children, by household type (2018)



- Note: "Poverty rates by household type" is defined as the percentage of the total population living in working households—whose head is aged between 18 and 64—whose equivalent disposable income falls below the poverty line.
- Source: Compiled by the Daiwa Institute of Research, based on the Ministry of Health, Labour and Welfare's "Comprehensive Survey of Living Conditions"

Released in December 2020, the latest government data for 2018 shows that child poverty rates have improved a little to 13.5%. Following its 2012 peak, one of the reasons behind this improvement is the influence of Abenomics, which has raised incomes among low-income households.

However, COVID-19 has led to decreased incomes among low-income households in particular; for this reason, there is a possibility that child poverty rates could be on the rise again.

The Luxembourg Income Study Database enables us to compare poverty rates in Japan with those in other countries. Data shows that Japan's poverty rates are lower than the U.S. and Spain and other countries in southern Europe, similar to Australia and France, but higher than Finland and other countries in northern Europe.

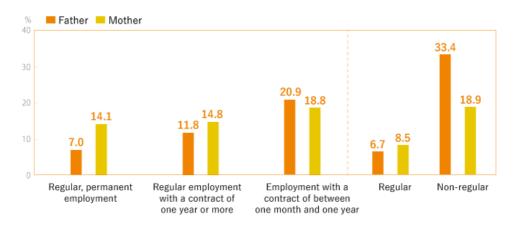
Japan's child poverty rates are distinctive for the fact that poverty is most prevalent among single-adult households. Poverty rates are particularly severe among mother-child single-parent households.

One cause is that many women hold non-regular forms of employment, and are therefore more likely to work low-paid jobs. In father-child single-parent households, too, child poverty rates are particularly high when fathers hold non-regular forms of employment.

The traditional Japanese employment and social system—in which the husband is a regular, permanent employee and in which the wife is a full-time housewife—is no longer appropriate for the present age; and this unsuitability is manifesting itself in the form of child poverty.

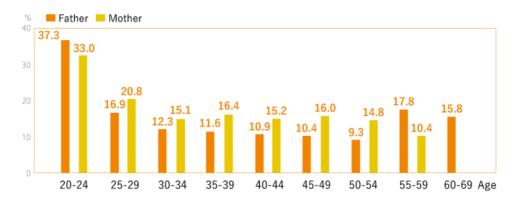


### Child poverty rates, by parent employment type (2012)



- Note: "Regular" refers to regular workers and employees with either permanent employment contracts or employment contracts of one year or more; "Non-regular" refers to part-time workers, temporary workers, contract workers, commissioned workers, and others; with regard to people on one-day contracts or contracts of less than one month, the sample size was too small to include in poverty rates.
- Source: Compiled by the Daiwa Institute of Research, based on "Trends in Relative Poverty Rates: 2006, 2009, and 2012," by Aya Abe (2014), published on the HinkonStats ("Poverty Statistics") website

### Child poverty rates, by parent age (2012)



Note: Ages refer to ages of parents in 2012

However, the reality of child poverty does not always align with a conventional image of what poverty looks like.

The reason for this is twofold: first, poverty is defined in relative terms; second, all children today tend to own similar possessions, whether they live in poverty or not.

For example, there is little difference in the percentage of general households and the percentage of poor households that have video game machines, bicycles, mobile phones, or smartphones.

This is no doubt due in part to the fact that products in general cost less nowadays, and that most Japanese households earn sufficient incomes to purchase such products.

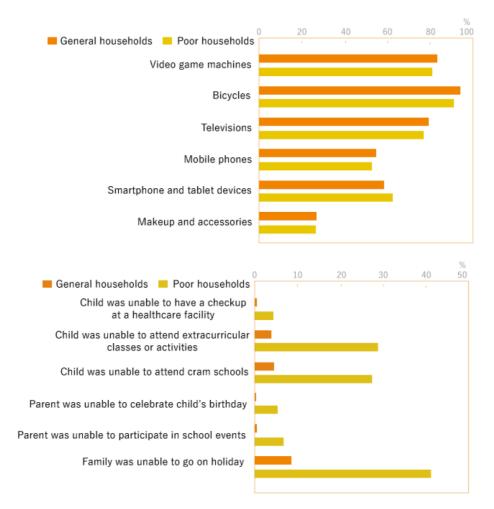
However, children of poor households are disadvantaged in terms of the experiences they enjoy—they may be unable to attend extracurricular activities, for example, or go on family holidays.

Parents of low-income households also tend to work longer hours, and for this reason they cannot spare the time to provide their children with experiences. It may well be they try and make up for this shortfall by at least providing their children with possessions. The fact that poverty manifests itself in consumption of services is one of the reasons why child poverty remains hidden from view.

Source: Compiled by the Daiwa Institute of Research, based on "Trends in Relative Poverty Rates: 2006, 2009, and 2012," by Aya Abe (2014), published on the HinkonStats ("Poverty Statistics") website



### Differences in child possessions and experiences, by household type (Osaka Prefecture, 2016)



- Note: The graphs show results from all local governments in Osaka Prefecture; "General households" are defined as households with equivalent disposable incomes at or above the median line; "Poor households" are defined as households with equivalent disposable incomes of less than 50% of the median line
- Source: Compiled by the Daiwa Institute of Research, based on "Factual survey into the lives of children in Osaka Prefecture," by Osaka Prefecture University (March 2017)

# 2. Economic and social impacts

Child poverty is a serious issue because, in addition to the impact it has on children throughout their childhoods, it has a tendency to lead to adult poverty and to disparities in adult income.

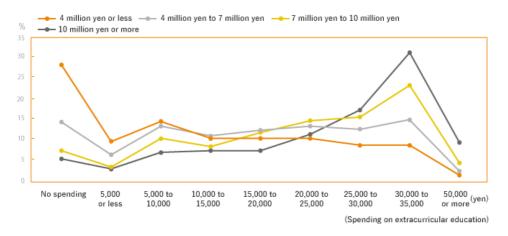
The most significant way in which poverty creates chains of poverty and income disparity is education.

Japan's compulsory education system entitles all children to receive education, regardless of the income of their parents. However, the reality is that there is a link between parent income and child academic ability.

Since households with higher incomes tend to spend more on cram schools and extracurricular lessons, parent incomes can have a significant impact on the academic and cognitive ability of their children.

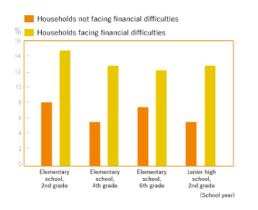


### Spending on extracurricular education, by household income (for third-grade junior high school students)



- Note: "Household incomes" show pre-tax incomes; "Spending on extracurricular education" is defined as average monthly spending per child on cram schools and other lessons outside of school
- Source: Compiled by the Daiwa Institute of Research, based on "Analysis of impacts on academic ability, based on the FY2013 National Assessments of Academic Ability," by Ochanomizu University (March 28, 2014)

### Percentage of children who have poor "Ability to overcome adversity," by household type (FY2016)



- Note 1: "Households facing financial difficulties" are defined as households that fulfill at least one of the three following criteria: a household income of 3 million yen or less; a household with a lack of daily necessities; a household that has had difficulties meeting payments in the past
- Note 2: Numbers refer to the percentage of children classified among the worst-performing groups when it comes to "Ability to overcome adversity"
- Source: Compiled by the Daiwa Institute of Research, based on "Second Child health and lifestyle factual survey, FY2016 report," by Adachi Ward Education Committee, Adachi Ward; the Center for Clinical Research and Development, National Center for Child Health and Development; Department of Global Health Promotion, Tokyo Medical and Dental University (April 2017)

While study and other forms of cognitive ability are important, so too are non-cognitive abilities required to become members of society, such as patience, motivation, cooperation, and communication.

But here, too, poor households are disadvantaged. A survey looking at households in Tokyo's Adachi Ward reveals that children from poor households have a lower "ability to overcome adversity" than children from normal households.

Non-cognitive abilities also impact on whether a child has a positive attitude to study, and it is easy for children of poor households to fall into a vicious circle when it comes to skills formation.

If a child suffers from poor health, then it can be difficult to maintain continued employment as an adult, with an associated risk of lower lifetime earnings.

In poor households, children tend to have unbalanced diets and are more susceptible to obesity; this, too, leads to greater future health risks.

It is likely that parents who work long hours, or who work late at night or early in the morning, do not have the time or capacity to ensure their children are eating and living healthily on an everyday basis.

Our strategy for Sustainability

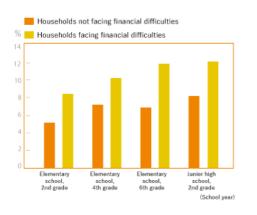
Sustainability in Our Business G

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### Percentage of obese children, by household type (FY2016)



- Note 1: "Households facing financial difficulties" are defined as households that fulfill at least one of the three following criteria: a household income of 3 million yen or less; a household with a lack of daily necessities; a household that has had difficulties meeting payments in the past
- Note 2: Numbers for "Obese" refer to the percentage of children classified as "Having a propensity for obesity"
- Source: Compiled by the Daiwa Institute of Research, based on "Second Child health and lifestyle factual survey, FY2016 report," by Adachi Ward Education Committee, Adachi Ward; the Center for Clinical Research and Development, National Center for Child Health and Development; Department of Global Health Promotion, Tokyo Medical and Dental University (April 2017)

Through skills and health disadvantages, child poverty increases the likelihood of a future deterioration of human capital. In Japan, innovation ought to be used to increase per person productivity; going forward, the quality of its human capital will become more important than ever before.

Since child poverty results in the continued deterioration of human capital, it will also lead directly to long-term falls in Japan's capabilities as a nation.

Child poverty, which is frequently hidden from view, is thus a significant risk for Japan.

The following video, recorded in June 2018, provides a commentary on this report < Japanese only>

Related reports are also available to view online < Japanese only>  $\square$ 

Sustainability in Our Business Governance / Social

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Environment / Others

# Daiwa Securities Group Future Support Bonds Child Support Group Sustainable Fund

Daiwa Securities Group started the "For Your Dreams–Daiwa Securities Group Smiles to Children Project" in 2017. Part of our efforts to realize a sustainable society, the project aims both to improve environments for children living in poverty and to break the chains of poverty.

As part of our "Smiles to Children Project," and in the face of the recent state of emergency occasioned by COVID-19, we created a new "Daiwa Securities Group Future Support Bonds Child Support Group Sustainable Fund" in collaboration with Public Resources Foundation.

Some of the proceeds from the Daiwa Securities Group Future Support Bonds corporate bonds we issued in June 2020 will be allocated to this fund.

# The purpose of the Child Support Group Sustainable Fund

- It can be difficult for organizations seeking to improve environments and break the chains of poverty for children living in difficult financial circumstances to continue their support activities during natural disasters or pandemics; for this reason, Daiwa Securities Group aims to enhance both the business continuity and the resilience of such organizations.
- By providing subsidies worth up to 3.5 million yen per year, we hope to encourage recipient organizations to establish business and organizational models capable of providing continued support to children living in financial difficulties.
- We intend to share the results of our fund's activities with private non-profit sectors and government sectors through PR campaigns.

# Organizations and initiatives eligible for funding

- Non-profit organizations, including incorporated non-profit organizations, general incorporated associations, social welfare corporations, and public interest corporations
- Subsidies are to be used for establishing structures that enable recipient organizations to continue their activities even in times of emergency, such as during the coronavirus pandemic or natural disasters; this includes enabling teleworking, enabling work processes to be carried out online, enabling online fundraising, and formulating business continuity plans. Only initiatives aimed at enabling business continuity are eligible for funding.
- As COVID-19 continues to have a significant impact on society, in its first fiscal year the fund will also support measures to ensure organizations can conduct business during the pandemic.

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However, similar conditions also apply to COVID-19; that is, only initiatives aimed at establishing structures to continue activities during the pandemic are eligible.

• The fund will focus on providing subsidies to organizations that work with children up to the age of 18; however, this is not a condition of eligibility.

# Subsidy details

- Subsidies will be provided up to a maximum of 3.5 million yen per initiative Requested subsidy values may be screened depending on the content of the application
- Subsidies will be provided for a single fiscal year only
- Number of organizations: about eight organizations per year

# Selection criteria

- Reliability of the applicant organization (meeting application requirements, etc.) Whether the applicant carries out organizational management appropriately Whether the applicant carries out information disclosure appropriately etc.
- Whether the applicant has clearly identified issues with and drawn up logic models for its existing business
- Whether the content and goals of the applicant's business accords with the aims of the fund
- Whether the applicant proposes initiatives that are reasonable and achievable
- Whether the applicant can be expected to be an example to and generate ripple effects for other organizations

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# Selection results for FY2022 (Third year)

In FY2022, we received applications from a total of 88 organizations. Following a primary screening based on written documents, and a secondary screening based on interviews, the Screening Committee chose the six organizations listed below.

### Organizations Selected for FY2022, Third year

Organization name	Location	Project name	Amount of grant (yen)
ATOPICCO Network for Children of the Earth (Certified NPO)	Minato-ku, Tokyo	Volunteer training and network construction to prepare for emergencies	3,499,500
Kirin Children's Cheering Squad (NPO)	Izumisano-shi, Osaka	Project to install public refrigerators to save the lives of poor families with children	3,500,000
Diversity Kobo (NPO)	Ichikawa City, Chiba Prefecture	Project to strengthen base-type outreach leaders to connect children with difficulties in the community to social resources	3,500,000
Panorama (NPO)	Yokohama-city Kanagawa Prefecture	Fundraising enhancement project to activate communication with donors and strengthen the foundation for supporting children and young people	3,500,000
Bridge for Smile (Certified NPO)	Minato-ku, Tokyo	Development of a work experience application system for children who cannot rely on their parents	3,500,000
Pocket support (Certified NPO)	Okayama City, Okayama Prefecture	Strengthen fundraising using digital advertising and expand web outreach	3,500,000

### Total subsidies provided in FY2022 (Third year)

20,999,500 yen

# Selection results for FY2021 (Second year)

In FY2021, we received applications from a total of 70 organizations. Following a primary screening based on written documents, and a secondary screening based on interviews, the Screening Committee chose the seven organizations listed below.

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### Organizations Selected for FY2021, Second year

Organization name	Location	Project name	Amount of grant (yen)
eboard (NPO)	Nishinomiya City, Hyogo Prefecture	Strengthening fundraising by creating a donation site for individuals and managing advertisements	3,500,000
Weeds (NPO)	Funabashi City, Chiba Prefecture	Sharing business know-how and building a network of supporters to stay close to children suffering from the family environment nationwide	3,500,000
ACE (certified NPO)	Toshima-ku, Tokyo	Development of workshops and programs to improve the abilities of child supporters	3,500,000
SOS Children's Villages Japan (Certified NPO)	Fukuoka City, Fukuoka Prefecture	Strengthening fundraising by introducing a mechanism to completely revise the website and verify the effects of the business expansion phase	3,500,000
CPAO (Certified NPO)	Osaka-shi, Osaka	Strengthening outreach for parents and children with poor living and strengthening fundraising for supporters using online	3,500,000
Chance For ALL (NPO)	Adachi-ku, Tokyo	Strengthening online recruitment of personal donations that will be the source of scholarships	3,500,000
Yamaguchi Sawayaki Network (NPO)	Yamaguchi City, Yamaguchi Prefecture	Construction of a support system for donations and receipt of supplies for children's cafeterias, etc.	3,500,000

### Total subsidies provided in FY2021 (Second year)

24,500,000 yen

# Selection results for FY2020 (the fund's inaugural year)

In FY2020, we received applications from a total of 60 organizations. Following a primary screening based on written documents, and a secondary screening based on interviews, the Screening Committee chose the eight organizations listed below.

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### Organizations Selected for FY2020, the fund's inaugural year

Organization name	Location	Project name	Amount of grant (yen)
ASK-NET (NPO)	Nagoya City, Aichi Prefecture	Project to establish an online youth center	3,500,000
SANKAKUSHA (NPO)	Toshima Ward, Tokyo	Reviewing business plans, and formulating manuals for preventing infection when providing face-to-face emergency support, in the light of COVID-19	3,500,000
3keys (certified NPO)	Shinjuku Ward, Tokyo	Creating structures for child support, for which administrative budgets are limited (strengthening fundraising)	3,500,000
DxP (certified NPO)	Osaka City, Osaka Prefecture	Strengthening fundraising through website improvements and advertising operations	3,500,000
TOYBOX (NPO)	Osaka City, Osaka Prefecture	Project to establish emergency ICT training environments	2,540,000
Toshima Kodomo Wakuwaku Network (NPO)	Toshima Ward, Tokyo	Establishing foundations for the promotion of public-private collaborations, and establishing soft infrastructure for providing food aid	1,782,400
PIECES (Certified NPO)	Bunkyo Ward, Tokyo	Project to strengthen fundraising structures, in order to support business expansion	3,413,000
Fair Start Support (NPO)	Yokohama City, Kanagawa Prefecture	Creating models for providing online support to job seekers	3,000,000

### Total subsidies provided in FY2020 (the fund's inaugural year)

24,735,400 yen

For further details, please see the Public Resources Foundation  $\ensuremath{\,\square}$  website

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# Daiwa Securities Group Child Support Fund for Bright Future

The Daiwa Securities Group has created "Daiwa Securities Group Child Support Fund for a Bright Future" in collaboration with Public Resources Foundation, a public interest incorporated foundation. The fund is designed to improve the environment for children and break the chains of poverty. It assists groups working on child poverty issues.

# **Objectives of the Fund**

The fund supports unique and pioneering businesses that seek to improve the living environments of children living under difficult economic conditions and to break the chain of poverty as well as business development.

# Grantees

- Nonprofit corporations, general incorporated foundations, social welfare corporations, public service corporations, and other nonprofit organizations
- Subsidies cover business development activities.
- Projects deemed to be similar to numerous other businesses are not eligible.
- The fund emphasizes the development of businesses that target children under the age of 15 years (particularly elementary schoolage children) (however, this is not a limitation).

# **Details of Grants**

- Grants are limited to ¥3.35 million (fourth series of grants for FY 2020)
- Grants are provided for a maximum of three consecutive years (continuation is not automatic, and screening is conducted each year).
- Number of grantees: Two to three organizations each year
- Use of the grant funds is limited to business development activities.

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# **Screening Criteria**

Is there a clear logic model for initiatives designed to reduce the risk of future child poverty?

Are the initiatives pioneering?

Does the business development plan set clear targets to ensure the effectiveness and continuity of the initiatives?

Has an appropriate business development plan been established?

Is the organization as a whole managed appropriately?

# FY2021 (Fifth Series) Screening Results

Applications for continuing grants were received from all two organizations, and following a screening process (interviews), the screening committee deliberated and selected both organizations for continuing grants.

### Organizations Selected for Continuing Grants (third year) in FY2021 (Fifth Series)

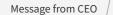
Organization name	Location	Theme	Amount of grant (yen)
<u>Panorama</u> <u>(NPO)</u> 미	Yokohama City, Kanagawa Prefecture	Business development to foster human resources of in-school cafe operators and implementers	3,350,000
<u>Fair Start Support</u> <u>(NPO)</u> □	Yokohama City, Kanagawa Prefecture	Business development to support community- based employment programs for children's homes	3,350,000

### Total Amount of Grants Awarded in FY2021 (Fifth Series)

### ¥6.7 million

### **Fifth Presentation Ceremony**

The fifth presentation ceremony and activity report session were held online on January 25, 2022.



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# FY2020 (Fourth Series) Screening Results

Starting in FY2020, only continuing programs will be granted subsidies. Applications for continuing grants were received from all four organizations, and following a screening process (interviews), the screening committee deliberated and selected all four organizations for continuing grants.

### Organizations Selected for Continuing Grants (second year) in FY2020 (Fourth Series)

Organization name	Location	Theme	Amount of grant (yen)
<u>Panorama</u> <u>(NPO)</u>	Yokohama City, Kanagawa Prefecture	Business development to foster human resources of in-school cafe operators and implementers	3,350,000
<u>Fair Start Support</u> <u>(NPO)</u> □	Yokohama City, Kanagawa Prefecture	Business development to support community- based employment programs for children's homes	3,350,000

### Organizations Selected for Continuing Grants (third year) in FY2020 (Fourth Series)

Organization name	Location	Theme	Amount of grant (yen)
Education A3 (Certified NPO)	Fukuoka City, Fukuoka Prefecture	Business development of the learning complex "Study Place"	3,350,000
DxP (certified NPO)	Osaka City, Osaka Prefecture	Business development to provide "places where one belongs" by effectively using classes and classrooms in collaboration with schools	3,350,000

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### Total Amount of Grants Awarded in FY2020 (Fourth Series)

¥13.4 million

# FY2019 (Third Series) Screening Results

In FY2019, applications were received from 38 organizations. Following an initial screening (document based) and a secondary screening (interviews), the screening committee deliberates and selected the seven organizations set forth below, of which two received new grants and five received continuing grants.

### Organizations Selected for New Grants for FY2019 (Third Series)

Organization name	Location	Theme	Amount of grant (yen)
<u>Panorama</u> <u>(NPO)</u>	Yokohama City, Kanagawa Prefecture	Business development to foster human resources of in-school cafe operators and implementers	2,620,000
<u>Fair Start Support</u> <u>(NPO)</u> □	Yokohama City, Kanagawa Prefecture	Business development to support community- based employment programs for children's homes	3,000,000

### Organizations Selected for Continuing Grants (second year) in FY2019 (Third Series)

Organization name	Location	Theme	Amount of grant (yen)
Education A3 (Certified NPO)	Fukuoka City, Fukuoka Prefecture	Business development of the learning complex "Study Place"	3,120,000
DxP (certified NPO)	Osaka City, Osaka Prefecture	Business development to provide "places where one belongs" by effectively using classes and classrooms in collaboration with schools	3,120,000

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### Organizations Selected for Continuing Grants (third year) in FY2019 (Third Series)

Organization name	Location	Theme	Amount of grant (yen)
SOS Children's Villages Japan (Certified NPO). □	Fukuoka City, Fukuoka Prefecture	Business development for support projects for families' future: Outreach and network-oriented family support trials	3,120,000
<u>PIECES</u> (Certified NPO) □	Bunkyo Ward, Tokyo	Business development for local outreach human resource development programs for isolated children	3,120,000
Learning for All (NPO)	Shinjuku Ward, Tokyo	Business development for learning support and knowledge development	3,120,000

### Total Amount of Grants Awarded in FY2019 (Third Series)

¥21.22 million

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# FY2018 (Second Series) Screening Results

In FY2018, applications were received from 43 organizations. Following an initial screening (document based) and a secondary screening (interviews), the screening committee deliberates and selected the five organizations set forth below, of which two received new grants and three received continuing grants.

### Organizations Selected for New Grants for FY2018

Organization name	Location	Theme	Amount of grant (yen)
DxP (certified NPO)	Osaka City, Osaka Prefecture	Development of a business providing "places where one belongs" by effectively using classes and dining halls in collaboration with schools	3,200,000
Education A3 (Certified NPO)	Fukuoka City, Fukuoka Prefecture	Business development of the learning complex "Study Place"	3,150,000

### Organizations Selected for Continuing Grants for FY2018

Organization name	Location	Theme	Amount of grant (yen)
<u>SOS Children's Villages Japan</u> ( <u>Certified NPO)</u> □	Fukuoka City, Fukuoka Prefecture	Business development of "Support Project for Families' Future" (Subtitle) Network-oriented family support through outreach and foster families	3,200,000
<u>PIECES</u> (Certified NPO)	Bunkyo Ward, Tokyo	Business development of "Regional Outreach Human Resources Development Program for Isolated Children"	3,200,000
Learning for All (NPO)	Shinjuku Ward, Tokyo	Business development of "Transmission of Knowledge in Learning Support"	3,200,000

\* The maximum amount of grant for FY2018 (Second Series) was ¥3.2 million.

\* PIECES was approved as a certified NPO in 2018.

### Total Amount of Grants Awarded in FY2018 (Second Series)

### ¥15.95 million

### Our strategy for Sustainability

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# FY2017 (First Series) Screening Results

### Organizations Selected for New Grants for FY2017 (First Series)

Organization name	Location	Theme	Amount of grant (yen)
SOS Children's Villages Japan (Certified NPO) □	Fukuoka City, Fukuoka Prefecture	Business development of "Support Project for Families' Future"	3,000,000
<u>PIECES</u> (Certified NPO)	Bunkyo Ward, Tokyo	Business development of "Regional Outreach Human Resources Development Program for Isolated Children"	3,000,000
Learning for All (NPO) □	Shinjuku Ward, Tokyo	Business development of "Transmission of Knowledge in Learning Support"	3,000,000

\* The maximum amount of grant for FY2017 (First Series) was ¥3.0 million.

### Total Amount of Grants Awarded in FY2017 (First Series)

### ¥9 million

For further details, please see the Public Resources Foundation  $\ensuremath{\square}$  website



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# Support for culture and the arts

# **DOCS for SDGs**

Daiwa Securities Group supports Yahoo! JAPAN Corporation's <u>DOCS for SDGs</u> action plan for achieving the SDGs. Yahoo! JAPAN has posted documentary films on a special website, so be sure to watch them.

### Documentary film

KIMONO Renaissance (Japanese) TOKKATSU: Character Building (Japanese)



# **Other Support Programs**

Daiwa Securities Group continues to provide support to promote sports, culture, and the arts.

### Media Gallery (support programs) (Japanese)

### Charity project held with Kashima Antlers F.C.

Daiwa Securities, in cooperation with official partner Kashima Antlers F.C., carried out a charity project on June 12-16, 2023, using the KASSAI tipping service of Fintertech Co., Ltd. In this project, fans and supporters purchase their favorite gifts and the money is donated to the SmileSmilePROJECT of Japan Heart, an NPO that supports childhood cancer patients.

This time, the third time, approximately 3.42 million yen of support funds were collected from 301 participants.

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Many of the charity participants agree with the purpose of the event and have continued to support it since the first time. In addition, the recipients expressed their joy at being able to participate in a place that they had given up on because they were fighting an illness, and expressed their gratitude to the supporters.

At a match sponsored by the Group on June 11, a ceremony was held to hand over the list of donations to Japan Heart.



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# **Contribution through Foundations and NPOs**

By donating through its foundations and funds and subsidizing NPOs, Daiwa Securities Group continually strives to support vulnerable populations to realize a sustainable society.

# Daiwa Securities Health Foundation >

In April 2023, the Daiwa Securities Foundation was created through the merger of the Daiwa Securities Foundation and the Daiwa Securities Health Foundation.

Merged to commemorate the 30th anniversary of the Daiwa Securities Welfare Foundation (established in 1994 to provide support for volunteer activities) and the 50th anniversary of the Daiwa Securities Health Foundation (established in 1972 to provide research assistance).

### **Research Grant**

Grant results (as of March 31, 2023) 1,408 cases Total amount: 1,381 million yen

### Support for Volunteer Activities

Grant results (as of March 31, 2023)

	Number of projects receiving grants	Total amount of grants
Volunteer Activities Grants	ts 4,244 projects 995.61 million ye	995.61 million yen
Grants to activities supporting children	36 projects	17.41 million yen

# Daiwa Anglo-Japanese Foundation >

As a UK charity for fostering closer ties between the United Kingdom and Japan, the Daiwa Anglo-Japanese Foundation was established in 1988 with contributions from Daiwa Securities Co Ltd.

The Foundation's Tokyo office provides local assistance to Daiwa Scholars (students from the United Kingdom) staying in Japan for

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about 20 months, administers grant applications from Japan and collaborates with other institutions promoting Anglo-Japanese relation.

# Activities 1. Awarding grants to projects in a variety of fields by individuals, institutions, and organizations working to promote ties between the United Kingdom and Japan 2. Awarding Daiwa Scholarships to British university graduates (including for one-year Japanese language study, four-week home-stays, and six-month on-the-job training in specialized fields) 3. Awarding the Daiwa Scholarships in Japanese Studies, which are supported by Daiwa Securities, for students from the United Kingdom who are advancing to graduate school in the U.K. or Japan to conduct research on Japan 4. Organizing events regulatory, at Daiwa Japan House in London, which is the Foundation's headquarters, to improve understanding of Japan in the United Kingdom

- understanding of Japan in the United Kingdom Seminars are also being held online (as webinars).
- 5. Organizing events in Japan in collaboration with the British Embassy and others

# Daiwa Securities Phoenix Japan Program

In May 2012, we established the Daiwa Securities Phoenix Japan Program as a measure to support reconstruction after the Great East Japan Earthquake that occurred on March 11, 2011. Under this program, we donate part of the trust fees from the investment trust "Daiwa Nippon Support Fund Vol. 3 - Phoenix Japan -."

(Collaboration: Authorized NPO Japan NPO Center)

# Kopernik Program >

Since fiscal 2010, the Group has provided support to the American NPO Kopernik, which was established to improve quality of life and reduce poverty in developing countries. This program is operated by donations related to the investment trusts "Daiwa Eco Fund" and "Russell Investment Global Environmental Technology Fund".

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# Other disaster recovery support

Contribution to Areas Damaged by the 2023 centered in the southeastern part of Turkey Earthquake	About 4.15 million yen (donation activities by officers and employees)
Torrential Rain Disaster in July 2020	5 million yen
Donation in response to damage caused by Typhoon Hagibis in 2019	10 million yen

Others

### Message from CEO

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# Kopernik Program

# Providing Appropriate Technologies to Developing Countries in Order to Improve Lives and Break the Chain of Poverty



Daiwa Securities Group supports the program of Kopernik, a non-profit organization that was established on February 19, 2010 to improve lives and break the chain of poverty in developing countries.

Kopernik i uses the Internet provides a mechanism that enables donors to select projects in support regions and products that are locally needed (such as solar lamps and simple water purifiers) for donation to recipients. Since the use of donations can be clarified and support can be provided to local partners that take direct action locally, the organization is able to efficiently provide support that accurately meets local needs.



Donations sourced from our revenue from the Russell Investment Global Environmental Technology Fund are allocated as set forth below and to operational expenses of Kopernik.

- (1) Projects to directly provide products and technologies that will be useful for raising the living standards of impoverished persons in developing countries
- (2) Trials of products and technologies taking into account local issues and surveys of local needs

# FY2022 – FY2023 Recipients

The following project was selected for grants.

Country of Implementation	Project	Grant Amount (US\$)
Indonesia	Alternative wastewater treatment in floating settlements and waterside communities	2,555



# FY2021 – FY2022 Recipients

The following project was selected for grants.

Country of Implementation	Project	Grant Amount (US\$)
Indonesia	Improving livelihoods in the fisheries sector in coastal areas	6,473

# FY2020 – FY2021 Recipients

The following three projects were selected for grants.

Country of Implementation	Project	Grant Amount (US\$)
	Increasing the added value of seaweed	19,337
Indonesia	Improving sorting of waste	13,696
	Seawater desalination project	2,610

# FY2019 – FY2020 Recipients

The following three projects were selected for grants.

Country of Implementation	Project	Grant Amount (US\$)
	Reducing crop damage through pest control in paddy fields	10,306
Indonesia	Cultivating and conducting dietary education on highly-nutritious moringa to improve children's nutrition	9,043
	Preserving water quality for sustainable batik industry	5,295

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# FY2018 – FY2019 Recipients

The following three projects were selected for grants.

Country of Implementation	Project	Grant Amount (US\$)
Indonesia	Increasing rice production yields by improving rodent countermeasures	9,900
	Extraction of honey using tubular filters	8,900
	Emergency support for the Sunda Strait tsunami	10,100

# FY2017 - FY2018 Recipients

The following six projects in two regions were selected for grants.

Country of Implementation	Project	Grant Amount (US\$)
Indonesia	Improvement of irrigation systems: drip type irrigation systems using plastic bottles	4,800
	Grain storage method that contributes to farmers securing food and increasing their incomes	3,600
	Solar systems providing access to electricity	6,300
	Palm leaf cutting machines that improve farmers' processing skills	3,900
	Provision of clean energy technology to schools and students in remote areas	7,700
Bangladesh	Support to Rohingya refugees: solar power generation systems for health care	4,200

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# FY2016 – FY2017 Recipients

Country of Implementation	Project	Grant Amount (US\$)
	Storage method that improves the quality of agricultural products	1,500
	Testing of low-cost seawater desalination technology	2,000
	Extraction of honey using tubular filters	3,000
Indonesia	Study on recyclable sanitary napkins and girls' school attendance	3,000
	Testing of effects of handmade solar drying machine	2,000
	Improvement of solar-based cacao processing method	5,800
	Homemade solar lantern	2,400
	Solar drying machine	5,500
	Gas detector for keeping watch on forest fires	2,500
	Testing of water quality sensor	2,000
	Plastic waste recycling equipment	3,000

### The following 11 experimentation projects in Indonesia were selected for grants.

# FY2015 – FY2016 Recipients

The following four projects in three regions were selected for grants.

Country of Implementation	Project	Technology Distribution	Grant Amount (US\$)
Turkey	Provision of technology to female refugees fleeing war in Syria	Hygiene supply kit	20,000
Cambodia	Provision of technology to the people of Kratie	Solar lamps Water purifiers Cooking stoves	5,333
	Provision of technology to the people of Siem Reap	Solar lamps Cooking stoves	6,676
Myanmar	Research on needs to improve the living standards of impoverished farmers	-	11,222

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# FY2014 – FY2015 Recipients

The following three projects in two regions were selected for grants.

Country of Implementation	Project	Technology Distribution	Grant Amount (US\$)
Indonesia	Promoting the use of solar lamps, water purifiers, and cooking stoves to local women with the aim of improving the living standards of people living in Pulau Flores	Solar lamps Water purifiers Cooking stoves	14,663
	Provision of high combustion efficiency cooking stoves to replace cooking methods that generate a lot of smoke for people living in farming villages in Soppeng Regency, South Sulawasi Province	Cooking stoves	5,856
Cambodia	Technology fair held to determine what kinds of technologies will lead to solutions to the issues that the Cambodian people are facing	Solar lamps Water purifiers Cooking stoves Mosquito nets	17,862

# FY2013 – FY2014 Recipients

The following six projects in four regions were selected for grants.

Country of Implementation	Project	Technology Distribution	Grant Amount (US\$)
Myanmar	Using high combustion efficiency cooking stoves to reduce firewood consumption and improve cooking environments	Cooking stoves	8,336
	Introducing water purifiers to support the provision of clean drinking water	Water purifiers	6,072
India	Provision of cooking stoves and solar lamps to semi-nomadic communities in India	Solar lamps	3,718
Indonesia	Provision of technology to families living in the Poso region after conflict	Water purifiers Cooking stoves Solar lamps	6,412
	Provision of solar lamps to families living in Yahukimo Regency, Papua Province	Solar lamps	7,334

Message from CEO	Our strategy for / Sustainability in / Governance / Soci Sustainability / Our Business / Governance / Soci	al Social Contribution Activities	Environment / Others
Country of Implementation	Project	Technology Distribu	tion (US\$)
East Timor	Provision of solar lamps to East Timor to reduce the dumping of batteries from fishing boats and reduce deterioration of the environment	Solar lamps	14,050

## FY2012 Recipients

The following six projects in five regions were selected for grants under the FY2012 program.

Country of Implementation	Project	Technology Distribution	Grant Amount (US\$)
Bangladesh	Provision of solar lamps to river island residents in northern Bangladesh	Solar lamps	8,775
Indonesia	Provision of clean water in impoverished regions Bali	Water purifiers	6,678
Indonesia	Provision of commercial cooking stoves on remote islands of Indonesia	Cooking stoves	12,000
East Timor	Provision of safe birth kits to clinics in East Timor	Matenoble birth kits	9,345
Vietnam	Provision of hearing aids to schools for the deaf in Vietnam	Hearing aids	8,500
Philippines	Provision of solar lamps in mountain regions of the Philippines	Solar lamps	4,883

## FY2011 Recipients

The following six projects in five regions were selected for grants under the FY2011 program.

Country of Implementation	Project	Technology Distribution	Grant Amount (US\$)
	Provision of water purifiers to flood victims	Water purifiers	5,000
India	Provision of high efficiency cooking stoves to women in India	Biomass cooking stoves	1,623

Message from CEO	/
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Sustainability in Our Business

Governance / Social

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Country of Implementation	Project	Technology Distribution	Grant Amount (US\$)
Indonesia	Creation of jobs to spread technology by making use of women's networks	Water purifiers, cooking stoves	26,190
Philippines	Provision of attractive and sustainable lights in highland regions of the Philippines	Solar lanterns	8,648
East Timor	Provision of lights to fishermen on isolated islands	Solar lanterns	7,340
Vietnam	Phase II: Provision of hearing aids and training to deaf children	Solar hearing aids	10,417

## FY2010 Recipients

The following nine projects in four regions were selected for grants under the FY2010 program.

Country of Implementation	Project	Technology Distribution	Grant Amount (US\$)
	Provision of lights in East Timor	Solar lanterns	20,271
	Provision of lights to midwives	Solar lanterns	1,845
East Timor	Provision of clean water to agricultural villages in East Timor	Solar water purification systems	7,495
Energy from biomass		High energy efficiency cooking stoves and biomass charcoal kits	4,345
	Provision of biomass cooking stoves in agricultural villages in Indonesia	High energy efficiency cooking stoves	5,035
Indonesia	Provision of lights to forest communities	Solar lanterns	8,010
	Provision of biomass cooking stoves for recovery following the eruption of Mount Merapi		9,397
Vietnam	Restoring the hearing of children	Solar hearing aids	14,995
India	Improving living standards in communities in India	Solar lanterns	5,291

Sustainability in Our Business

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## Corporate Citizenship Initiatives

Daiwa Securities Group believes that participation in volunteer programs and other community activities by employees helps broaden their perspectives and familiarize them with different values. We consider that this, in turn, has a good influence on both their work and their lives.

Through our intranet, we provide information on volunteer opportunities for projects planned by ourselves, other businesses and NPOs/NGOs as well as events that help educate employees and raise their awareness. We also strive to create an environment that makes it easy for employees to volunteer by setting up a recognition program, the Volunteer Award, and other incentives.

In FY2019, we introduced Volunteer Leave to create an environment that facilitates participation in volunteer activities.

## **Initiatives to Promote Volunteer Activities**

#### President's Awards program

Daiwa Securities has the President's Awards program to recognize outstanding achievements by employees. As part of the program, we introduced the Volunteer Award in FY2007, which is given twice a year to employees and groups involved in volunteer initiatives and activities that provide ongoing support to communities.

Dissemination of Information through the Internal Network



In-house magazine "Fuji"

The Daiwa Securities Group introduces the best practice in such volunteer work, through our inhouse magazine and internal TV programs.

## Donation activities by employees

#### "Jeans Day"

For the purpose of charity, we hold an event "Jeans Day" on the 1st of a month where officers and employees come to work in casual clothes and raise funds.



Our strategy for Sustainability Sustainability in Our Business

Governance Social

Social Contribution Activities

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We create opportunities to participate in social contribution activities, and a different atmosphere and communication style are created, contributing to a well-ventilated work environment and improving employee engagement.

### Santa Charity Program



Since 2017, we have been implementing a Santa Charity Program—an initiative in which executives, employees, and former members of Daiwa Securities Group donate Christmas presents to children. Contributions collected under the Program are used to purchase assorted snacks and toys and donated to children's homes, livelihood support facilities for fatherless families, and NPOs supporting children across Japan. The donations are made through the <u>Public Resources</u> <u>Foundation</u>  $\Box$ , a public interest incorporated foundation.

### **Employee donations record**

	unit	FY2020	FY2021	FY2022
Number of participants*	(persons)	3,030	20,946	19,288
Total donations	(million yen)	12.80	30.81	29.79
Total number of donation recipient	(groups)	99	129	157

\* The number of transfers to the dedicated account is counted as the number of participants.

## **Collection Drive**

The Daiwa Securities Group has been running the following collection drives as initiatives that are easy for employees to participate in. Collected items are donated to various NPOs and sold by them to fund their activities, including support for education, medical services and assistance to the disabled in developing countries.

#### Examples

- Participation in "Used Book Sale Donation for Children's Future" (donation to Children's Future Support Fund )
- Donation of unusable postcards and used stamps (donations to Japan Committee "Vaccines for the World's Children" and Live with Friends on the Earth)

Sustainability in Our Business

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#### Examples

• Donation of redundant calendars (donations to groups involved in disaster assistance or community support activities, which are selected each fiscal year)

## Participation in the TFT program

Since the spring of 2013, Daiwa Securities Group has contributed to the TFT Program, which is organized by TABLE FOR TWO, an internationally designated NPO. This is an initiative aimed at correcting food imbalances between developing and developed countries by donating a portion of revenue from the purchase of food and drink by Group officers and employees to pay for school lunches in developing countries.

We introduced the TFT menu at the cafeteria in the head office building and the staff cafeteria in Daiwa Institute of Research and Daiwa Facilities Co., Ltd. started donating ¥1 per drink sold through the beverage vending machines installed within the Group. Moreover, points earned through the "KA-RA-DA iki-iki Project," which is aimed at strengthening employees' health, can now be redeemed for contributions to the TFT Program. We have thus expanded the platforms for participating in the TFT activities.



## **Donation of Shareholder Reward Items**

Daiwa Securities Group Inc. implements a shareholder reward program. Together with the operation of this program, we donate reward items returned to us due to the relocation of shareholders and other reasons, as well as reward items received for our shareholdings in other companies, to organizations such as designated NPOs and public interest incorporated foundations.

## Initiatives in Japan

#### Participated in the "Beautification Project of the Coast"

The coast cleaning project called "Beautification Project of the Coast" was carried out by multiple Rotary clubs in Kagoshima prefecture. Eight people from the Daiwa Securities Kagoshima branch participated with the desire to collect even a small amount of marine waste such as PET bottles and plastic bags that have become a problem in recent years. On the day of the event, about 200 people participated despite light rain. Fortunately, the amount of garbage was small and the

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event ended earlier than planned. After the closing ceremony, boxed lunches were distributed and participants were able to enjoy a fulfilling day by soaking in a hot spring afterwards.



Participants from Daiwa Securities Kagoshima Branch.

#### Recycling of unnecessary items generated from internal beautification activities

At the Daiwa Securities Business Center Co. Ltd., they collected and disposed of unnecessary items (such as plastic containers and trays that are no longer in use, and desks, chairs, and cabinets that are damaged or outdated) that had accumulated in each department for the first time throughout the company, and implemented a large-scale decluttering as an internal beautification activity.

During the collection and disposal of these unnecessary items, they thoroughly sorted them for recycling and improved the recycling rate. They were able to achieve internal environmental improvement while contributing to the formation of a circular society.

#### **Results of the implementation**

(Reference) In the case of conventional disposal methods (= all transported as mixed waste)

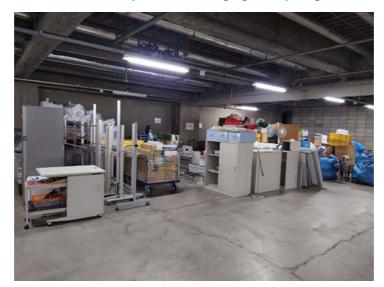
Type of waste	Amount	Average	Final disposal
	transported	recycling rate	amount
Mixed waste	5,230 kg	90%	523 kg

Amount of waste disposal by type sorted through sorting process

Type of waste	Amount transported	Average recycling rate	Final disposal amount	Reduction effect of approximately
Metal	1,490 kg	100%	0 kg	65% (339 kg) of
Waste plastic	2,520 kg	98%	50kg	waste disposal
Mixed waste	1,190 kg	90%	119 kg	amount!
Difficult-to- process items	30 kg	50%	15 kg	
合計	5,230 kg	96.50%	184 kg	<b></b>



#### Thorough sorting and collection of unnecessary items for bringing to recycling facilities



Sorted and collected unnecessary items

#### Contribution to Local Communities through Investment Activities of REITs

Daiwa Real Estate Asset Management contributes to local communities by addressing social issues through investment corporations and funds that entrust it with asset management.

#### Efforts for the sustainable development of local communities

Daiwa Office Investment Corporation is making efforts to contribute to the sustainable development of local communities by participating in various councils related to urban development and cooperating in participation in local events. In addition, using the site of the office building they own, they will install a share cycle / share car port and attract kitchen cars, etc., and social life of tenant employees, residents, local residents, etc. They are trying to improve the above convenience. To prepare for emergencies such as disasters, they also conduct disaster drills for residents of buildings we own.



Attracting kitchen cars (Daiwa Nakano Sakaue building)



Implementation of disaster drills

Sustainability in Our Business

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#### Efforts at healthcare facilities

At Daiwa Securities Living Investment Corporation, employees of the management company visit healthcare facilities owned nationwide several times a year for the purpose of deepening their understanding of the on-site work of operators in healthcare facilities and services for facility residents. They participate in exchange events (family social gatherings, senior citizens' associations, etc.), employee experience training, and help with daily work (cleaning, pruning of courtyard plants, etc.). They will continue to actively make this effort as part of our contribution to the local community.



State of summer festival (Alpha Living Takamatsu station square)



State of planting pruning (Alpha Living Takamatsu Hyakkenmachi)

#### Holding a demolition festival for a building scheduled for demolition

The Daiwa Onarimon Building, which is scheduled to be demolished, held a demolition festival with the aim of conveying their final gratitude to the local residents. At the same event, you can draw pictures on the floors and walls of the building to be demolished, create art works and make them into a gallery in the "participatory painting experience", and print photos of the surroundings of the building from the past to the present using a printing method called risograph. The RISOGRAPH WORKSHOP was held, where you can experience the process of turning demolition waste into new concrete.



State of the Daiwa Onarimon Building demolition festival



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## Initiatives Taken by the Group's Overseas Offices

Daiwa Capital Markets America (DCMA) Initiatives

#### Initiatives to Support Climate Action: Gardening volunteer

In honor of Earth Day, DCMA partnered with The Friends of Governors Island to participate in a volunteer event. A team of 20 DCMA employees engaged in horticulture, including weeding and removing invasive species to prepare Governors Island for restoration and spring planting. We are honored to have contributed to preserving the beautiful landscape and will continue to work towards environmental conservation by cultivating awareness among each employee via future volunteer events.





#### Initiatives to Support Gender equality, Women Empowerment

In FY22, DCMA launched the "Elevating Women in Leadership" program to promote women's career development and advancement into leadership roles. The program allows women from various divisions to exchange ideas and enhance their skills through numerous events. For example, DCMA hosted a networking luncheon for the women and senior managers to celebrate International Women's Day. The event prompted attendees to share their experiences and discuss topics such as career development and challenges women face in the workforce. Through networking, participants forged connections with each other, fostering mutual motivation and support. DCMA will remain dedicated to women's active participation in management and providing an encouraging working environment for all.

Others

Environment



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#### **Initiatives to Support Wellness**

DCMA is committed to promoting employee health awareness through the "Just for the Health of It" wellness initiative. This initiative incorporates various activities such as Bright Breaks, a virtual well-being platform offering over 300 live weekly "micro-wellness breaks" such as yoga, fitness, nutrition, and personal development. These programs are accessible anytime, anywhere, allowing employees to take refreshing breaks during the workday, improving work performance. During Mental Health Awareness Month, we provided educational resources and therapeutic massages to support employee self-care. DCMA will continue to encourage employees to reduce stress, achieve a healthy work-life balance, and enhance work productivity.

## 🌗 bright breaks

#### Your well-being is a priority.

Choose from over 300 live 7-minute breaks a week.

Get breaks recommended directly in your calendar daily

Be entered to win prizes every week by taking breaks!





**Social Contribution** 

Activities

Daiwa Capital Markets Europe Limited (DCME) Initiatives



#### Initiatives for Environmental Load Reduction

The firm has continued in its efforts to reduce its carbon footprint, promoting energy efficiency, recycling and re-use. The emissions from gas usage in their London office are now offset, two of our three data centres are now 100% renewable in the UK with the third targeted to be renewable by 2025 and currently producing <0.1 MTCO2e.

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#### Support for charitable activities

DCME has continued to support charitable activities with emphasis on initiatives that enhance the surrounding community. Initiatives include support of food poverty, disadvantage mentoring, gender and health equality including support of local food banks.



DCME colleagues volunteering with Hackney Foodbank

#### **Encouraging Women to Succeed**

The firm is a signatory to the Women in Finance Charter demonstrating its commitment to increase the representation of women in banking, particularly at senior levels - 50% of the Executive Committee and 44% of the Board are women. Positive progress has also been demonstrated by the reduction of the DCME 2022 mean gender pay gap from 38.8% to 30.9%. The Board and Executive Committee recognise the necessity of ensuring that we have an inclusive and diverse workforce and an environment where everyone can thrive regardless of their background and personal characteristics.



International Women's Day 2023 Event hosted in DCME London





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#### Daiwa Capital Markets Singapore Limited Initiatives

#### **Blind Massage**

On September 30, 2022, Daiwa Capital Markets Singapore collaborated with the Singapore Association of the Visually Handicapped (SAVH) to provide head and shoulder massages for their staff. The massages, performed by qualified, visually impaired masseurs who are part of SAVH's Mobile Massage Team (MMT), helped to alleviate staff's fatigue from their desk work. The goal in supporting this initiative was to contribute to a more inclusive society by expanding employment opportunities for visually impaired individuals and promoting social inclusivity.



#### **Food donation**

Daiwa Capital Markets Singapore partnered the non-profit organization "Free Food For All" (FFFA) for a two-week food donation drive from 23 September to 6 October 2022. The initiative aimed to provide nutritious food and groceries completely free of charge to underprivileged individuals in Singapore. The food donation drive, specifically targeting children from low-income households, was able to fulfil the wish lists of 50 such children through generous contributions from the staff. The goal in supporting this initiative was to end hunger, achieve food security and improved nutrition of the less privileged individuals.



#### **Textile Donation**

Daiwa Capital Markets Singapore collaborated with Greensquare to organize a textile donation drive from 24 October to 4 November 2022. Greensquare is an organization that offers textile recycling services to both households and organizations in Singapore. They also promote education on the 3Rs (Reduce, Reuse, and Recycle) to increase awareness of environmental sustainability. Daiwa Capital Markets Singapore staff made significant clothing donations, contributing to environmental conservation efforts that utilize the 3Rs principles.





Daiwa Capital Markets Hong Kong Limited Initiatives

#### Daiwa Cup 2022

Daiwa Capital Markets Hong Kong is sponsoring the Japanese Junior Football Club (JFC) as part of its efforts to promote international exchange and children's health. Last year, on October 8th, we collaborated with JFC to hold the "Daiwa Cup 2022" event. Staff and their families from Daiwa CM Hong Kong also participated, and in addition to soccer matches with local teams, we introduced Japanese traditional plays such as Origami and Kendama to the children, creating a fun cultural exchange event.



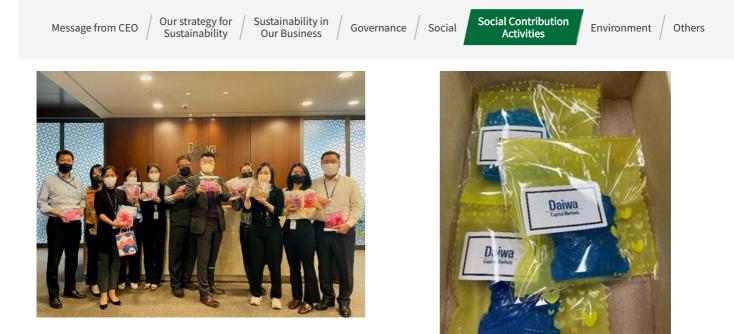
Daiwa Securities Capital Markets Korea Co. Ltd. Initiatives

#### Participation in "Love Handmade Soap Production"

Daiwa Securities Capital Markets Korea (Daiwa Korea) collaborated with the HANSUP Foundation on a non-face-to-face "Love Handmade Soap Production" activity. There is an urgent need to improve the hygiene environment of socially excluded children, and this was a good opportunity for participants to contribute to society by providing handmade soap made with love. Daiwa Korea has been donating KRW 100,000 to the NGO "Korean Hunger Relief" every month to contribute to the realization of a society where we can live together. In recent years, the Korean government has been strongly promoting the achievement of appropriate "work-life balance" in society, and corporate activities on the ground are also making efforts to respond to these movements. Daiwa Korea aim to achieve the following three goals through their efforts:

1. Actively encourage participation in social service activities (consideration and introduction of social contribution activity programs, granting compensatory days off to staff who participate in weekend activities)

Create a workplace environment that is easy for women to work in (establishment of welfare measures at each stage of pregnancy/childbirth/child-rearing: adjustment of working hours for pregnant women and granting of house call time at the discretion of the department manager, establishment of nursing rooms and granting of nursing time, establishment of a system for childcare leave (3 months under the law) and childcare leave of absence (1 year under company regulations), introduction of flexible working hours for childcare leave of absence and commuting time adjustment for children from elementary school enrollment to the lower grades (second grade), to support female employees to continue to lead fulfilling work lives)
 Encourage regular working hours and annual leave for the realization of work-life balance (submit a plan for taking annual leave until the end of the period to the management team), and to improve welfare measures (support for self-development expenses such as language learning, support for expenses related to promoting and maintaining health, etc.).
 During the prolonged COVID-19 pandemic, the company actively encourage all employees to work from home and make efforts to ensure both business continuity and employee safety. Daiwa Korea will continue to make efforts to contribute more widely to Korean society by continuing these CSR activities and proactively responding to the demands of Korean society.



#### Daiwa-Cathay Capital Markets CoLtd. (Daiwa Taipei) Initiatives

## Contributing to the improvement of the global environment through pesticide-free and chemical fertilizer-free rice farming

Daiwa Taipei sponsored a project organized by an agricultural cooperative in Wufeng Dist., Taichung City, Taiwan which promotes environmental improvement through pesticide-free and chemical fertilizer-free rice farming from July to November 2022. To support farmers who practice this farming method, Daiwa Taipei sponsored approximately 1,940 square meters of rice paddies. From planting to harvesting, we built a relationship of trust and cooperation with the farmers, and monitored the growth of the rice. Ultimately, the 240 bags (480kg per bag) of harvested rice were distributed to Daiwa Taipei's customers and employees. Even customers who do not normally accept gifts were able to receive the rice because they supported the purpose of the project. Daiwa Taipei will continue to practice "SDGs Action" involving its customers in the future.



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## **Environmental Management**

Protecting the global environment, which is the basis of our livelihoods, is essential for a sustainable society. Through our business activities, Daiwa Securities Group contributes to the resolution of environmental issues by developing products that reduce the environmental burden, and also by assisting financing for the development of environmental technologies and infrastructure. At the same time, we are working to establish a system that efficiently collects data on the Group's environmental load. We are also focusing on raising employees' environmental awareness to empower them to reduce the environmental burden in daily business operations. Through our Sustainability Promotion Structure, we respond to climate change and environmental management.

#### **Environmental Vision**

The Group is dedicated to protecting the precious global environment and preserving it for future generations by leveraging financial capabilities.

#### **Environmental Principles**

The Group recognizes the importance of environmental principles such as the effort to combat global warming, recycling and reuse of raw materials, and preserving biodiversity, in order to create a sustainable society for the 21st century. The Group pledges to contribute to solving environmental issues through its business as a financial services company and, to constantly seek new ways to reduce its environmental impact as a responsible corporate citizen.

#### **Basic Environmental Policies**

- Make positive environmental contributions through our core business activities We shall seek to develop and provide financial products and services that promote a low-carbon, recycling-oriented, and symbiotic society.
- 2. Implement an environmental management system

We shall implement an environmental management system and constantly seek new ways to improve environmental activities. In addition, we shall support environmental education and publicity efforts, while promoting environmental protection efforts by employees.

- 3. Take steps to save natural resources, reduce energy consumption, and promote biodiversity system We shall continue to progress inour efforts to reduce the use of natural resources and energy, and seek ways to improve materials and energy efficiency (including efforts to improve business efficiency). We shall also take steps to reduce water use and reduce, reuse, and recycle other materials to contribute to a more environmentally friendly society. Furthermore, considering the importance of biodiversity, we shall seek a symbiotic relationship with the environment and use safe, clean methods of materials procurement.
- 4. Promote environmental communication Working in concert with business partners, the local community, NGOs and NPOs, we shall actively disseminate information about environmental issues, and communicate our concern for the environment to customers and society at large.
- Strictly observe environmental regulations
   We shall always aim for environmental preservation, strictly observing environmental laws and regulations in addition to the Group's environmental policies.

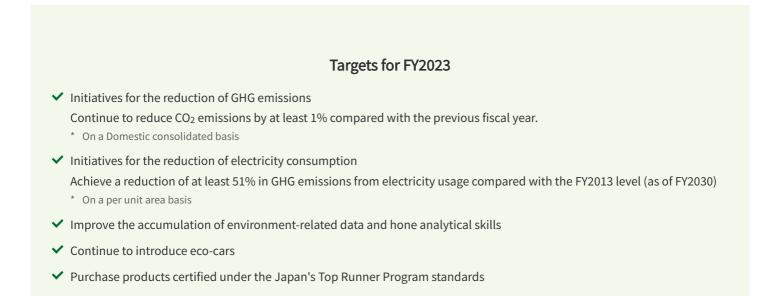
Daiwa Securities Group Inc. (May 22, 2012)

Environment

Others

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Activities



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## The Daiwa Securities Group Net Zero Carbon Declaration

Sustainability in

**Our Business** 

Our strategy for

Sustainability

Message from CEO

Towards the early achievement of a carbon-neutral society, the Group has formulated the "Daiwa Securities Group Net Zero Carbon Declaration" that commits to achieving net zero greenhouse gas emissions within our own operations\* by 2030 (Scope 1 and Scope 2), and net zero greenhouse gas emissions across our investment and loan portfolios, etc. by 2050 (Scope 3).

\* The company's emissions will be calculated on a consolidated basis



- ✓ Promote green finance / transition finance ✓ Expand business investment in the renewable
- energy sector
- ✓ Strengthen engagement with investee firms

#### Reduce the environmental footprint of the company

- ✓ Shift to 100% renewable energy
- ✓ Continue efficient use of energy
- ✓ Consider carbon offsetting

## contribute to the delivery of a carbonneutral society

- ✓ Promote innovation (hydrogen, CCUS, etc.) and provide support for new technologies ✓ Expand our advisory business within the
- renewable energy sector

#### Set targets to align with the Paris Agreement goals and expand transparent information disclosure

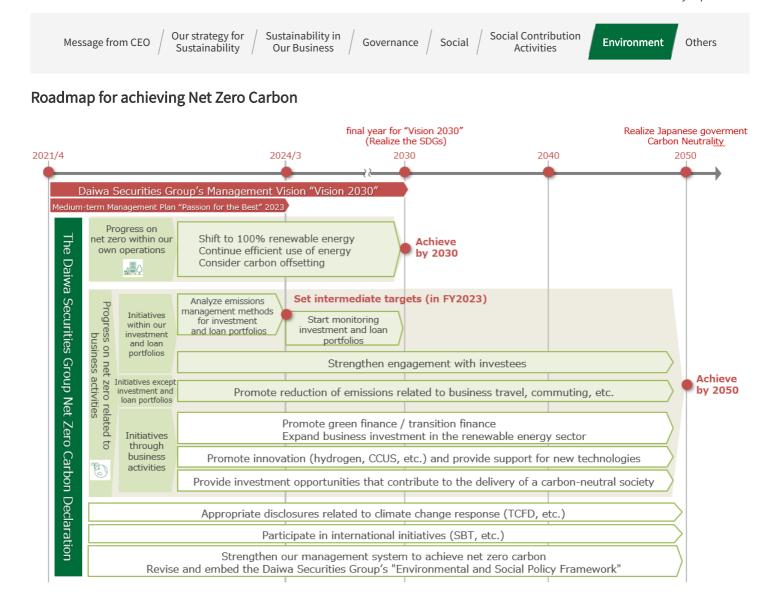
- ✓ Analyze greenhouse gas emissions management methods for investment and loan portfolios
- ✓ Set intermediate targets for Scope 3 to align with the Paris Agreement goals by utilizing SBT, etc. (in FY2023)
- ✓ Ensure appropriate disclosures related to our climate change response (TCFD, etc.)

## neutral society

- ✓ Expand our lineup of related products and services
- · Expand investment trusts with an environmental theme
- · Arrange SDGs bonds including green bonds
- Promote SDGs-IPO in the environmental sector

#### Strengthen our management system to achieve net zero carbon

- ✓ Revise and embed the Daiwa Securities Group "Environmental and Social Policy Framework"
- ✓ Embed sustainability elements into Corporate Executive Officers' compensation



Our strategy for Sustainability

Sustainability in Our Business

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## Initiatives for Environmental Load Reduction

## Initiatives to Reduce the Environmental Impact of Business Activities

Daiwa Securities is promoting a wide range of initiatives to reduce environmental impact. Its head office is promoting paperless operations, reducing excess equipment and introducing eco-cars and hybrid vehicles, thereby substantially reducing its CO<sub>2</sub> emissions.

The head office of Daiwa Institute of Research endeavors to use environmentally friendly products, such as by introducing LED lighting and promoting green purchasing. In addition, Daiwa Institute of Research has reduced CO<sub>2</sub> emissions by switching power for use at its data centers to electricity originating from renewable energy power plants owned by Daiwa Energy & Infrastructure. It also worked to raise environmental awareness among employees, encouraged them to print fewer documents, and promoted telecommuting to reduce paper use.

Through these efforts, Daiwa Securities Group is striving to offer environmentally friendly services and reduce environmental load.

- Investment in energy-saving air conditioning systems and introduction of LED lighting for FY2022: ¥440 million
- Instances of soil and groundwater contamination at office sites in FY2022: Zero

## Adaptation to Climate Change

In recent years, concerns have been raised about the risk of large-scale storm and flood damage in conjunction with the occurrence and increase of sea level rise, torrential rains, and super typhoons caused by abnormally high temperatures. The Group anticipates the possibility of physical damage to infrastructure, buildings, and so on at multiple sites as well as increased costs in conjunction with disaster countermeasures. Accordingly, in our business activities, we are continuing efforts to minimize the impact of such damage on operations by duplicating equipment and sites, moving equipment to upper stories of buildings, and so on. Moreover, in addition to higher operational costs for investment real estate, we anticipate declines in the value of assets under management and reductions in business. It is necessary that we review asset holdings and take measures such as ESG due diligence and fostering new industries and companies that contribute to the transition to a decarbonized economy. We will continue working to minimize the transitional risks associated with climate change.

> Refer also to "Response to Climate Change (Disclosure Based on the TCFD Recommendations 2023)."

Others

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# Initiatives in Real Estate Management (Daiwa Real Estate Asset Management Co. Ltd.)

Sustainability in

**Our Business** 

Taking into account changes in various sustainability issues and the increasingly diverse needs of our stakeholders, Daiwa Real Estate Asset Management is promoting sustainability initiatives systematically such as by establishing Sustainability Promotion Office in June 2021 and formulating the Sustainability Policy in March 2023 in a way to upgrade sustainability-related policies described in the Policy Regarding ESG, with a view to addressing a variety of ESG related issues.

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## Initiatives to Obtain Environmental Certification

Our strategy for

Sustainability

Message from CEO

Listed REITs for which our company serves as an asset manager are actively working to acquire third-party environmental certifications, including CASBEE for Real Estate certification, DBJ Green Building Certification and BELS Certification, to enhance the reliability and objectivity of their efforts to reduce their environmental loads and increase the medium-to long-term value of their properties. Moreover, private REITs for which we are an asset manager are planning to obtain environmental certifications anew.

**Environmental certification acquisition ratio for properties owned by Daiwa Office Investment Corporation (As of May 31, 2023)** Number of properties with environmental certifications: 32 properties; Environmental certification acquisition ratio (On the basis of total floor area of properties): 61.9%

Environmental certification acquisition ratio for properties owned by Daiwa Securities Living Investment Corporation (As of March 31, 2023)

Number of properties with environmental certifications: 21 properties; Environmental certification acquisition ratio (on the basis of total floor area of properties): 15.8%

## Initiatives for Environmental Consideration through Real Estate Investment

Listed REITs for which our company serves as an asset manager have introduced or improved LED lighting, high-efficiency airconditioners and water-saving facilities, and promoted greening in consideration of the preservation of biodiversity. The J-REITs are distributing sustainability guides to tenants and residents, and collaborate with these stakeholders to promote efforts to protect the environment and solve social issues. Daiwa Securities Living Investment Corporation is also promoting the installation of delivery boxes and the introduction of unattended delivery services for their properties, as the availability of these options will not only improve the convenience of tenants but also lead to reductions in CO<sub>2</sub> emissions associated with redelivery.

## Delivery box installation ratio in rental residences owned by Daiwa Securities Living Investment Corporation (as of the end of March 2023)

Delivery box installation ratio (based on the number of buildings): Approx. 86%

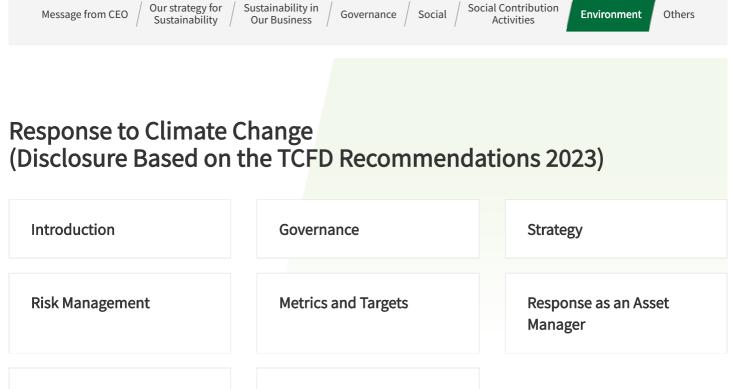




Installation of rooftop garden (Daiwa Azabu Terrace)



Installation of delivery boxes (Gran Casa Omorikaigan)



Future Outlook

Appendix

#### Sustainability in Our Business

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## Introduction

Daiwa Securities Group is advancing disclosure of information related to "Governance", "Strategy", "Risk Management" and "Metrics and Targets" in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in order to realize a carbon-neutral society.

## **Executive Summary (FY2023)**

Item	Summary
<u>Introduction</u>	<ul> <li><u>Progress in Promoting Sustainability</u></li> <li>Approach to Climate Change (Management Vision and Materiality, <u>Environmental Basic Policy</u> and Net Zero Carbon Declaration)</li> </ul>
Governance	<ul> <li>Board's Oversight (Reporting process, <u>conducts main deliberations on the composition and attendance status of the three committees</u>)</li> <li>Executive Framework (Reporting process, <u>conducts main deliberations on the areas of expertise of external experts and the working group</u>)</li> <li>Executive Remuneration System Linked to Sustainability KPIs</li> </ul>
Strategy	<ul> <li>Qualitative Analysis Based on Climate Change Scenarios (Impact on Business). (Qualitative analyses based on climate change scenarios to identify specific risks and their relation to the categories of integrated risk management, and opportunities, corresponding measures and engagement examples for each business division).</li> <li>Transition Plan to Realize Carbon Neutrality (Roadmap and progress toward Scope 1, 2, and 3 net zero emissions)</li> <li>Quantitative Analysis Based on Climate Change Scenarios (Estimated Loss). (NGFS scenario analysis).</li> </ul>
Risk Management	<ul> <li>Process for Managing Climate Change Risks (Risk Appetite Framework, <u>Top Risks</u>)</li> <li>Response to Climate Change Risks in investment and loan Activities (<u>Environmental and Social Policy Framework</u>)</li> </ul>

Others

ltem	Summary
Metrics and Targets	<ul> <li>Greenhouse Gas (GHG) emissions within Our Own Operations</li> <li>GHG Emissions within Our Investment and Loan Portfolios</li> <li>Investment Balance in SDGs-Related Businesses</li> <li>Carbon-Related Assets</li> </ul>
Response as an Asset Manager	<u>Status of Response in the Asset Management Division</u>
Appendix	Measurement Method for GHG Emissions within Investment and Loan Portfolios

(Note) Underlined items are additions or updates from FY2022.

## Progress in Promoting Sustainability

The group is committed to various climate change initiatives and is advancing efforts to address climate change. In 2018, we became the first domestic securities company to express support for the TCFD recommendations, and have since disclosed annually based on the TCFD recommendations.

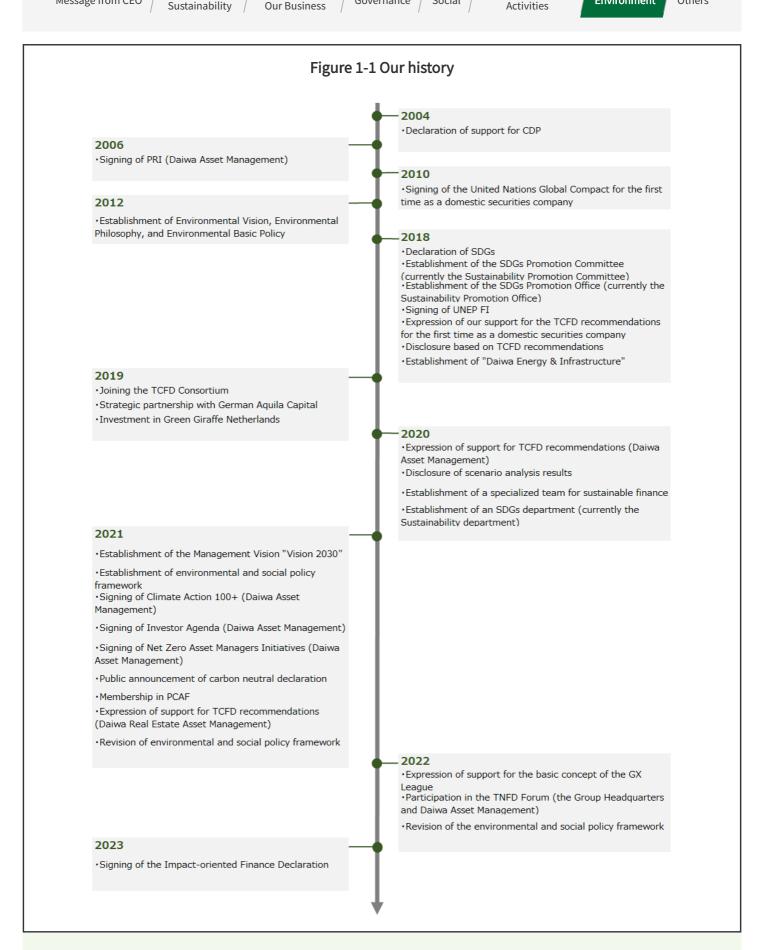
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## Approach to Climate Change

### Management Vision and Materiality

In May 2021, the Group formulated and announced its management vision, "<u>Vision 2030</u>", which outlines the Group's goals for achieving the SDGs by the deadline of 2030. Based on communication with stakeholders, social demands, and the impact the Group has on society, we have positioned "Green & Social: Promoting the transition to a carbon-neutral society and realizing a resilient society" as one of our priority areas of focus (materiality) and are advancing our efforts in this area.

In our medium-term management plan, "Passion for the Best" 2023, positioned as the strategy for the first three years towards achieving "Vision 2030", we have set sustainability KPIs to manage the progress (Figure 2-6). A sustainability officer in each organization manages the progress of these KPIs, and the system reports to the Sustainability Promotion Committee and the Board of Directors.

## Environmental Vision, Environmental Principles and Basic Environmental Policies

The Group has established an "Environmental Vision", "Environmental Principles" and "Basic Environmental Policies" in May 2012, in order to contribute to the resolution of environmental issues, including responding to the risks posed by climate change.

#### Figure 1-2 Environmental Vision, Environmental Principles and Basic Environmental Policies

#### **Environmental Vision**

The Group is dedicated to protecting the precious global environment and preserving it for future generations by leveraging financial capabilities.

#### **Environmental Principles**

The Group recognizes the importance of environmental principles such as the effort to combat global warming, recycling and reuse of raw materials, and preserving biodiversity, in order to create a sustainable society for the 21st century. The Group pledges to contribute to solving environmental issues through its business as a financial services company and, to constantly seek new ways to reduce its environmental impact as a responsible corporate citizen.

#### **Basic Environmental Policies**

- Make positive environmental contributions through our core business activities We shall seek to develop and provide financial products and services that promote a low-carbon, recycling-oriented, and symbiotic society.
- 2. Implement an environmental management system

We shall implement an environmental management system and constantly seek new ways to improve environmental activities. In addition, we shall support environmental education and publicity efforts, while promoting environmental protection efforts by employees.

3. Take steps to save natural resources, reduce energy consumption, and promote biodiversity system We shall continue to progress in our efforts to reduce the use of natural resources and energy, and seek ways to improve materials and energy efficiency (including efforts to improve business efficiency). We shall also take steps to reduce Sustainability in Our Business Go

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water use and reduce, reuse, and recycle other materials to contribute to a more environmentally friendly society. Furthermore, considering the importance of biodiversity, we shall seek a symbiotic relationship with the environment and use safe, clean methods of materials procurement.

- 4. Promote environmental communication Working in concert with business partners, the local community, NGOs and NPOs, we shall actively disseminate information about environmental issues, and communicate our concern for the environment to customers and society at large.
- Strictly observe environmental regulations
   We shall always endeavor in environmental preservation, observing environmental laws and regulations in addition to the Group's environmental policies.

## The Daiwa Securities Group Net Zero Carbon Declaration

The Group recognizes the importance and urgency of addressing climate change, one of the most serious issues facing the world, in order to realize a carbon-neutral society as soon as possible. To that end, we have formulated and implemented the "<u>Daiwa Securities</u> <u>Group Net Zero Carbon Declaration</u>" (see Figure 1-3) to make a medium- to long-term contribution to the fight against climate change.

Based on this declaration, we aim to achieve Scope 1 and 2 net zero GHG emissions by 2030 and Scope 3 net zero GHG emissions by 2050 for our investment and loan portfolios etc. In addition, we will continue to support our customers' efforts to decarbonize their businesses and new technologies that contribute to the realization of a decarbonized society in order to support a smooth transition to a decarbonized society through our financial business.

## Figure 1-3 The Daiwa Securities Group Net Zero Carbon Declaration, The Daiwa Securities Group's main priority areas

(1) Achieve net zero greenhouse gas emissions within our own operations\* by 2030 (Scope 1 and Scope 2)

- (2) Achieve net zero greenhouse gas emissions within our investment and loan portfolios, etc. by 2050 (Scope 3)
- (3) Support the smooth transition to a carbon-neutral society through our business activities

\* The company's emissions will be calculated on a consolidated basis

#### Sustainable finance for the delivery of a carbon-neutral society

- Promote green finance / transition finance
- Expand business investment in the renewable energy sector
- Strengthen engagement with investee firms

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Support for new technologies and promote business solutions that contribute to the delivery of a carbon-neutral society

- Promote innovation (hydrogen, CCUS, etc.) and provide support for new technologies
- Expand our advisory business within the renewable energy sector

#### Provide investment opportunities that contribute to the delivery of a carbon-neutral society

- Expand our lineup of related products and services
  - Expand investment trusts with an environmental theme
  - Arrange SDGs bonds including green bonds
  - Promote SDGs-IPO in the environmental sector

#### Reduce the environmental footprint of the company

- Shift to 100% renewable energy
- Continue efficient use of energy
- Consider carbon offsetting

#### Set targets to align with the Paris Agreement goals and expand transparent information disclosure

- Analyze greenhouse gas emissions management methods for investment and loan portfolios
- Set intermediate targets for Scope 3 to align with the Paris Agreement goals by utilizing SBT, etc. (in FY2023)
- Ensure appropriate disclosures related to our climate change response (TCFD, etc.)

#### Strengthen our management system to achieve net zero carbon

- Revise and embed the Daiwa Securities Group "Environmental and Social Policy Framework"
- Embed sustainability elements into Corporate Executive Officers' compensation



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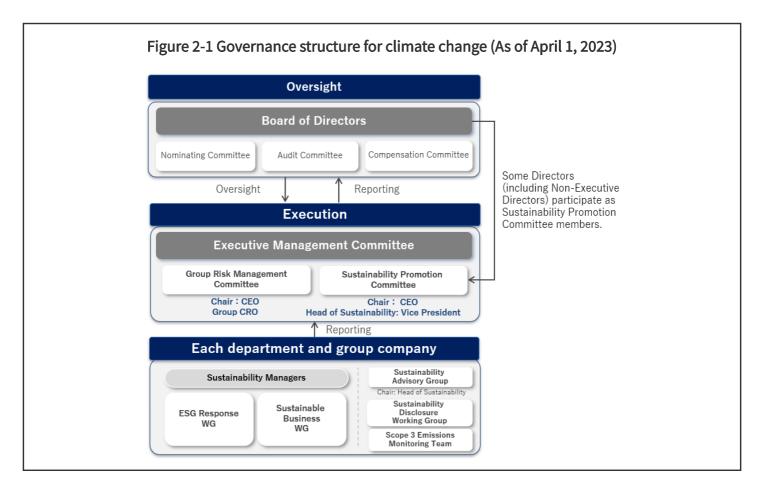
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## Governance

In the "Governance", the TCFD recommends disclosure on the role of the board of directors and management in overseeing climaterelated risks and opportunities. The Group is proceeding with disclosure of information in line with this.

## **Overview of Governance for Climate Change**

In the Group, the Sustainability Promotion Committee discusses business related to sustainability, including climate change, as well as the Group policies. The Group Risk Management Committee, a subcommittee of the Executive Management Committee, analyzes climate-related risks and holds regular discussions. The content of these discussions is reported to the Executive Management Committee as appropriate, where deliberation and decision-making take place. If necessary, the Board of Directors receives reports on climate-related issues and responses that have been deliberated by the executive side. Matters that are deemed core to management or important by the Board of Directors, as well as matters specified as resolution items in the Board of Directors regulations, are decided by the Board of Directors. Thus, the response to sustainability issues, including climate change, is overseen by the Board of Directors through a system of deliberation and decision-making by the executive side, as shown in Figures 2-1 and 2-2.



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Figure 2-2 Roles and main deliberation topics of each meeting body				
	Meeting Body	Composition	Role Related to Climate Change	Main Deliberation Topics
Oversight	Board of Directors	Chairman: Chairman of the Board 7 Outside Directors 7 Internal Directors	<ul> <li>Receive appropriate reports from the executive regarding climate-related issues and responses (including responses to TCFD) and supervise</li> </ul>	<ul> <li>Formulation of Vision 2030</li> <li>Formulation of Net Zero Carbon Declaration</li> <li>Status of response to TCFD</li> <li>Revision of environmental and social policy framework</li> <li>Status of response to ESG evaluation agencies</li> <li>Risk appetite framework and top risk items</li> </ul>
	Compensation Committee	Chairman: Outside Director 5 Outside Directors 2 Internal Directors	<ul> <li>Consideration of policies related to executive compensation</li> </ul>	<ul> <li>Decision on executive compensation system linked to sustainability KPIs</li> </ul>

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Execution	Executive Management Committee	Chairman: Representative Executive Officer, President, and CEO	<ul> <li>Deliberation and decision- making on important business and policies related to climate issues</li> <li>Reporting to the Board of Directors</li> </ul>	<ul> <li>Formulation of Vision 2030</li> <li>Formulation of Net Zero Carbon Declaration</li> <li>Status of response to TCFD</li> <li>Revision of environmental and social policy framework</li> <li>Risk appetite framework and top risk items</li> </ul>
	Group Risk Management Committee	Chairman: Representative Executive Officer, President, and CEO	<ul> <li>Monitoring of climate change risk response</li> <li>Reporting to the Executive Committee</li> </ul>	<ul> <li>Management status of climate change risk (quantitative analysis results based on scenarios)</li> </ul>
	Sustainability Promotion Committee	Chairman: Representative Executive Officer, President, and CEO Internal members (including those in charge of sustainability) External experts	<ul> <li>Discussion and consideration of important matters related to climate change</li> </ul>	<ul> <li>Formulation of Vision 2030</li> <li>Actions toward achieving Vision 2030</li> <li>Progress toward achieving carbon neutrality</li> <li>Status of response to TCFD</li> <li>Participation in TNFD forum</li> <li>Revision of environmental and social policy framework</li> <li>Status of response to ESG evaluation agencies</li> </ul>

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## **Board's Oversight**

## The Board of Directors

The Board of Directors includes both internal and outside directors with deep knowledge of sustainability, enabling effective oversight of efforts to address sustainability issues. The Board has made decisions regarding initiatives such as "Vision 2030", the "<u>Environmental and Social Policy Framework</u>" and the "<u>Daiwa Securities Group Net Zero Carbon Declaration</u>". In addition, the Board has decided to add climate change to the top risks listed in the Risk Appetite Statement. The Board also receives reports and discusses topics such as information disclosure in line with TCFD recommendations (including climate change scenarios) and non-financial information disclosure to improve ESG evaluations by external organizations. The Board confirms the progress of sustainability KPIs (as shown in Figure 2-6) when making decisions on financial statements and reviewing the medium-term management plan (as shown in Figure 2-2).

## **Compensation Committee**

The Compensation Committee, one of the three committees, deliberates on policies related to executive compensation. For example, in FY2021, it resolved to incorporate sustainability KPIs into the evaluation system for executive performance-based compensation (see Figures 2-2 and 2-6).

		Nominating Committee	Audit Committee	Compensation Committee
Takashi Hibino	Chairman of the Board	5/5		4/4
Seiji Nakata	Director/President and CEO	5/5		4/4
Sachiko Hanaoka	Internal Director		13/13	
Hiromasa Kawashima	Internal Director		13/13	
Michiaki Ogasawara	Outside Director	5/5	13/13	
Hirotaka Takeuchi	Outside Director	5/5		4/4
Ikuo Nishikawa	Outside Director		13/13	4/4
Eriko Kawai	Outside Director	5/5	13/13	

# Figure 2-3 The composition of the three committees and attendance status at the board of directors' meetings (results for FY2022)

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Katsuyuki Nishikawa	Outside Director	5/5	13/13	
Toshio Iwamoto	Outside Director	5/5		4/4
Yumiko Murakami	Outside Director		13/13	4/4

## **Execution Framework**

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## Sustainability Promotion Committee

The Sustainability Promotion Committee, chaired by the President and CEO, holds regular discussions (four times a year in FY2022) to promote sustainability. The committee includes the Head of Sustainability (established in FY2020) who oversees sustainability promotion, several executive officers including one outside director who is not involved in day-to-day operations, and external experts with specialized knowledge in sustainability themes including climate change (Figure 2-4). The committee has provided advice and conducted studies on various topics such as the formulation and revision of the "Environment and Social Policy Framework" and the formulation of the "Daiwa Securities Group Net Zero Carbon Declaration" (Figure 2-2).

Name	Affiliation/Title	Main areas of expertise in climate-related issues
Toshihide Arimura	Professor, School of Political Science and Economics, Waseda University Faculty Fellow,The Research Institute of Economy, Trade and Industry	Environment Economics Energy Policy Carbon Pricing
Arisa Kishigami	Independent consultant, En-CycleS (Engagement Cycle for Sustainability)	Trustee, Japan Sustainable Investment Forum (JSIF)
Daisuke Takahashi	Attoney at Law, Shinwa Law	Business and human rights Environmental law compliance Global compliance

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## The Group Risk Management Committee

Regarding policies and measures related to risk management, including climate change, they are discussed at the subcommittee of the executive committee, and the Chief Risk Officer (CRO), who is responsible for risk management, attends the Group Risk Management Committee. The committee reports annually on quantitative analysis results based on climate-related scenarios. The contents of the report are also discussed in the Sustainability Promotion Committee as part of the information disclosure proposal in line with the TCFD recommendations.

## Group-Wide System

As a system to promote sustainability across the Group, sustainability managers are appointed in each major group company and department of Daiwa Securities to promote business that contributes to sustainability and manage the progress of sustainability KPIs. In addition, these contents are regularly reported to the Sustainability Promotion Committee and the executive committee. Furthermore, several group-wide working groups (WGs) have been established (see Figure 2-5). The contents discussed in these WGs are coordinated with the Sustainability Promotion Committee as appropriate.

Name	Description
ESG Response Working Group	Expands and strengthens ESG response based on external evaluations of ESG fo our group (investors and rating agencies). The main members are practical personnel in the head office department.
Sustainable Business Working Group	Under the Sustainability Officer, monitors KPIs, understands the progress of SDGs/ESG-related businesses, identifies issues, and plans and implements measures to address them. The main members are practical personnel at each headquarters, group company, and major overseas base.
Sustainability Advisory Group (Internal Experts Working Group)	Experts in sustainability gather to exchange opinions on our group's issues and future responses. The main members are practical personnel in the sustainability field at each headquarters and group company.
Sustainability Disclosure Working Group	A cross-departmental organization aiming to expand sustainability information disclosure from the perspective of integrated reporting. The main members are practical personnel in the disclosure-related departments of sustainability.
Scope 3 Emissions Monitoring Team	Performs measurement and goal setting of emissions related to investment portfolios. The main members are practical personnel including asset management departments, investment departments, think tanks, and other banks.

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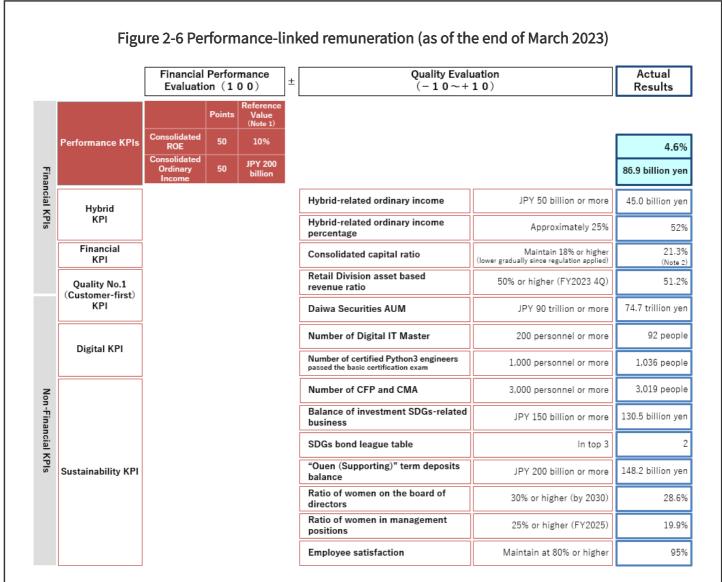
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## **Executive Remuneration System**

We have incorporated a performance-linked remuneration that provides financial rewards based on sustainability KPIs to strengthen the efforts of executives in addressing climate-related issues since FY2022 (as resolved by the Compensation Committee in FY2021, see Figure 2-6). Specifically, climate-related KPIs include investment balance in SDGs-related businesses and SDGs bond league tables (refer to "<u>Metrics and Targets</u>").



Note 1: The reference value is determined by the Compensation Committee in consideration of the targets set in the Medium-term Management Plan.

Note 2: The consolidated total capital adequacy ratio indicates the value as of December 31, 2022.

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Metrics and Targets	Response as an Asset Manager	Future Outlook	Appendix		

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# Strategy

In the "Strategy", the TCFD recommends disclosure on the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning. The Group is proceeding with information disclosure in line with this.

# **Recognition of Climate-Related Risks**

The Group conducts qualitative analysis based on climate change scenarios and categorizes examples of risks that could have a negative impact on the Group's businesses, financial performance and position (refer to Figure 3-1). After discussions in the Sustainability Promotion Committee, reports and deliberations are conducted in the Executive Committee and Board of Directors. Please see "Recognition of climate-related opportunities" (Figure 3-2) for examples of opportunities that could have a positive impact, and please see "Resilience assessment of our strategy based on climate-related risks" for the envisioned scenarios used in the analysis.

Climate-related risks can be broadly divided into risks accompanying the transition to a carbon-neutral society (transition risk) and risks stemming from physical damage (physical risk). The former includes the introduction of and changes to laws and regulations such as carbon pricing and energy policy (policy and legal), changes in society and industry due to rapid technological innovation (technology), changes in the corporate business environments and price fluctuations of products and assets, etc. (market), and deterioration in reputation of companies and organizations related to measures to address climate change (reputation). The latter includes health damage caused by abnormally high temperatures (chronic) and natural disasters such as heavy rains and large typhoons (acute).

### **Transition Risks**

Examples of the Group's major transition risks include a decrease in various earning opportunities from the deterioration in the economy and corporate performance associated with measures such as increased carbon pricing to climate change measures (policy and legal), decrease in the value of held assets due to the decline in the performance of invested companies resulting from energy-related technological innovation (technology), a decline in underwriting business from various industry sectors as significantly affected during the transition period, a decline in the value of assets held by the Group due to delays in response to structural change in industries (market), deterioration in the Group's reputation associated with a lack of initiatives to deal with climate change and investment and underwriting related to businesses with a heavy environmental load and a decrease in extensive business opportunities (reputation).

# **Physical Risks**

Examples of the Group's main physical risks include constraints on employment and business execution of employees subject to health hazards due to abnormally high temperatures (chronic) and deterioration in power generation efficiency of solar and wind generation facilities due to an increase in torrential rain and powerful typhoons as well as each office being struck by disaster (acute).

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Note that the time frames for risks and opportunities is defined with consideration to the alignment with the Group's management plan. Specifically, the short-term refers to the fact that the medium-term management plan is three years, the medium-term refers to 2030, which is the target year for "Vision 2030" and aims for the company's net zero GHG emissions, and the long-term considers aiming for net zero GHG emissions in the investment and loan portfolio by 2050, taking into account that the short-term is assumed to be 3-5 years, the medium-term is 5-10 years, and the long-term is 10-30 years.

Туре	Climate	e-related risks	Main impacts on the Group	Time frame	Expected main risk categories
	Policy and legal risks	Increased carbon pricing related to climate change measures Consideration of climate change in financial policies	<ul> <li>Decrease in various earning opportunities from the detorioration in the economy and corporate performance</li> <li>Decrease in business opportunities due to changes in corporate funding needs caused by increased uncertainty in interest rate fluctuations</li> <li>Increase in costs due to carbon pricing of our group and investee companies</li> </ul>	Short to long term	Market risk Credit risk
	Technology risk	Changes in technology such as energy-related innovations and transitions	<ul> <li>Decrease in the value of our group's owned assets and decrease in business opportunities due to delayed responses or business performance deterioration of our investment companies</li> </ul>	Medium to long term	Credit risk
Transition risks	Market risk	Changes in markets such as economic and industrial structure transitions Asset price fluctuations	<ul> <li>Decline in underwriting business from various industry sectors significantly affected during the transition period</li> <li>Decline in the value and balance of assets held by the Group</li> <li>Decrease in value of our group's owned assets and properties and decrease in opportunities for sales</li> </ul>	Short to long term	Market risk Credit risk
	Reputation risk	Corporate evaluation of climate change mitigation efforts	<ul> <li>Deterioration in the Group's reputation associated with a lack of initiatives to deal with climate change and investment and underwriting related to businesses with a heavy environmental load</li> <li>This reputation damage has led to a decrease in business opportunities and an increase in funding costs</li> </ul>	Short to long term	Reputational risk Liquidity risk

Туре	Climat	e-related risks	Main impacts on the Group	Time frame	Expected main risk categories
Physical risks	Chronic risk/ Acute risk	(Continuous) Temperature rise, heavy rain, increased disasters, etc. (Temporary, localized) Heavy rain, massive typhoons, floods, abnormally high temperatures, etc	<ul> <li>Increase in health hazards to customers and employees of the Group due to heat waves, restrictions on work, and a decrease in business opportunities</li> <li>Decreased efficiency of solar/wind power generation facilities due to the increase in heavy rain and massive typhoons</li> <li>Damage to investment destinations and equipment deterioration due to floods and an increase in recovery costs</li> <li>Increased costs for repairing and restoring important bases such as business locations and data centers of the company group that have been affected by disasters</li> </ul>	Medium to long term/Short to long term	Operational risk Credit risk

# **Recognition of Climate-Related Opportunities**

The government's "Basic Policy for the Realization of GX" refers to realization of more than 150 trillion yen in green transformation (GX\*1) investment, including public-private blended finance\*2, over the next ten years to realize a carbon-neutral society. For the Group, we believe there are business opportunities as a financial institution to undertake GX investment-related product design, structuring, and operational support. From this perspective, the Group conducts qualitative analysis based on climate change scenarios and lists the following examples by business division of opportunities that could have a positive impact on the Group's business and management (see Figure 3-2).

- \*1. Transformation of the entire socio-economic system to reduce GHG emissions and increase industrial competitiveness
- \*2. A financial method that combines public and private sector funds

Figure 3-2 Examples of climate-related opportunities by business division			
Climate-related opportunities	Examples of business division	Time frames	
Increase in opportunities to provide new financial products related to SDGs/ESG driven by customers' increasing interest in sustainability	Retail Division	Short to long-term	
Increased underwriting for the fundraising required for green projects and the transition to a carbon-neutral society	Wholesale Division	Short to long-term	
Increased M&A in the carbon-neutral field including renewable energy	Wholesale Division	Short to long-term	

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Climate-related opportunities	Examples of business division	Time frames
Inflow of funds into investment trusts that consider the impact of climate change and into investment trusts that include companies proactively investing in their climate change response	Asset management Division	Short to long-term
Structuring and managing investment corporations and private funds with underlying assets that are real estate and real assets with high environmental performance	Asset management Division	Short to long-term
Greater investment opportunities into new industries and companies that contribute to the transition to a carbon-neutral society	Investment Division	Medium to long-term
Investment into renewable energy such as solar power generation facilities and greater investment opportunities through the introduction of external capital	Investment Division	Short to long-term
Greater opportunities for solution businesses that support the transition to a carbon-neutral society	Other (Think Tank)	Short to long-term
Expansion in business opportunities resulting from improvement in reputation through net-zero initiatives	Group-wide	Short to long-term

### **Retail Division**

In the retail division, due to the growing interest in customer sustainability, there is recognition of certain business opportunities in the field of SDGs/ESG-related new financial products, which can be expected to increase.

# Wholesale Division

The market for green finance, which raises funds for green projects both domestically and internationally, is rapidly expanding. In addition, there is an increasing number of companies that are actively working on decarbonization and technological innovation, even in sectors with high GHG emissions, leading to an increase in the need for transition finance. Although there is a limit to the demand for funds for green finance, the potential need for transition finance, which is used to fund decarbonization efforts by issuers, is considered to be very large.

Therefore, the wholesale division recognizes business opportunities for underwriting such as raising funds for green projects and for the greenification of core businesses aimed at transitioning to a low-carbon society. In addition, as companies that prioritize decarbonization are expected to rebuild their business portfolios, there is a growing need for organizational restructuring and business integration, including M&A in the sustainability field such as renewable energy, which is recognized as a business opportunity in the renewable energy sector. Governance / Social

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### **Asset Management Division**

In the Asset Management Division (Securities Asset Management), since there is exposure to a wide range of sectors, the entire portfolio may be affected positively or negatively by various risks. On the other hand, when viewed individually, there is a growing social awareness of climate change issues, and investor interest in investment trusts that consider the impact of climate change is also increasing, and we recognize the business opportunity to offer such investment trusts.

In the Asset Management Division (Real Estate Asset Management), as there is a growing investor demand for financial products that consider sustainability, we recognize the business opportunity to create and manage investment trusts and private funds with real estate and tangible assets with high environmental performance as underlying assets.

### **Investment Department**

In the investment department, there are business opportunities for fund formation and management aimed at investors with investment needs in related assets, as well as investments in new industries and companies that contribute to the transition to a carbon-neutral society, particularly in the field of renewable energy, such as solar power plants (both domestically and overseas).

# Other (Think Tank, etc.)

At Daiwa Institute of Research, we recognize that there is an increasing opportunity in the solution business that supports the transition towards a carbon-neutral society in our research and consulting services.

In addition, we recognize that improving our reputation through our efforts towards net-zero will lead to an expansion of business opportunities throughout the Group (refer to "<u>Transition plan towards carbon neutrality</u>").

# Strategic Climate Change Initiatives

As a countermeasure to the climate-related risks (particularly the transition risk) and opportunities identified in each business division, we will advance the following initiatives (see Figure 3-3). Furthermore, in terms of our response to physical risks, we have formulated a business continuity plan (BCP), to prioritize the resumption and continuation of important operations from the perspective of maintaining the functioning of the securities market and our customers' economic activities in the event that our headquarters, branches, or data centers are halted due to a shutdown in social infrastructure caused by abnormal weather or natural disasters. This allows us to build a system that can continue important operations even if our headquarters functions are disrupted. In response to transition risks, there are various initiatives depending on the characteristics, and the relevant departments will change accordingly. However, executing these initiatives steadily is expected to enhance our reputation as a company that is proactive in addressing climate change and have positive effects on a wide range of businesses

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#### Figure 3-3 Climate-related response strategies (strategic initiatives)

Strategic initiatives for climate-related responses	Examples of business divisions
Developing and providing products and services that contribute to the realization of a carbon-neutral society	Retail Division Asset management Division
Promoting and enhancing sustainable finance	Wholesale Division
Enhancing M&A advisory in the sustainability field	Wholesale Division
Sourcing and investment promotion focused on sustainability	Investment Division
Providing sustainability-related solutions	Other (Think tank)
Realizing carbon-neutrality	Group-wide
Strengthening engagement with stakeholders	Group-wide

# Developing and Providing Products and Services that Contribute to the Realization of a Carbon-Neutral Society

Based on opportunities presented in the retail and asset management divisions, such as climate-conscious investment trusts, the Group will further strengthen our development and provision of products and services that contribute to the realization of a carbonneutral society. Furthermore, as part of such strategy, we will focus on expanding funds and ETFs related to solving social issues, including funds that invest into companies that provide solutions to realize a carbon-neutral society. These initiatives are consistent with the key issue of "development and provision of new financial products and services that contribute to the realization of a sustainable society" in the "Green & Social" priority area of "Vision 2030".

Daiwa Asset Management, a division of the asset management department, selects and invests in solution companies that contribute to realizing a carbon-neutral society, and has developed and offered a fund called "Carbon Neutral Equity Fund (nickname: Carbon ZERO)" with the aim of achieving carbon neutrality as a fund. This initiative was recognized and awarded the "Governor's Special Prize for Green Finance in the ESG Investment Category " of "Tokyo Financial Award 2021" hosted by the Tokyo Metropolitan Government.

\* As a fund, it aims to achieve carbon neutrality by calculating the CO2 emissions of the invested companies and contributing funds to green projects that can absorb the emitted CO<sub>2</sub>.

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### Promoting and Enhancing of Sustainable Finance

Based on opportunities in the wholesale division such as underwriting for green projects and transition, the Group will continue to promote and enhance sustainable finance. This initiative is in line with the key issue "Promotion of green finance to support the realization of a carbon-Neutral Society" in the priority area "Green & Social" of "Vision 2030," as well as the "the Daiwa Securities Group Net Zero Carbon Declaration" in the transition plan, which aims to support the smooth transition to a carbon-neutral society through financial businesses ("<u>Transition Plan for Achieving Carbon Neutrality</u>"). Additionally, at ESG Research, Equity Research Department, we conduct ESG-related surveys and analyses for institutional investors and will continue to focus on providing a broad scope of information.

Daiwa Securities has been an early adopter of sustainable finance and in 2008, it sold the first impact investment bond for individuals in Japan, called the "Vaccine Bond". It has also been working on developing standards both domestically and internationally, and in 2017 and 2020, it served as a member of the Ministry of Environment's Green Bond Guidelines Review Committee. In 2020, it was the only Asian underwriter selected as an advisory council member by the International Capital Markets Association (ICMA).

In October 2020, Daiwa Securities established a dedicated sustainable finance team (currently Sustainability Solutions Department) to provide sustainability-related solutions in line with the needs of investors and issuers, going beyond the product categories such as debt and equity.

As an example of its achievements, it served as the structuring agent for the underwriter and issuer support of the world's first transition bond in the aviation industry by Japan Airlines in February 2022. In foreign bonds, it also served as the lead manager for Hungary's green bond in FY2021, supporting the establishment of frameworks and obtaining second-party opinions. It is also the lead underwriter for Fuluhashi EPO's SDGs-IPO, which provides environmental solutions.

In addition, it strengthens its research support system by providing ESG information for investors (institutional and individual investors) and works to create brokerage opportunities by providing information on companies that are working to decarbonize.

In addition, DC Advisory, which provides M&A advisory services in the Group, conducts engagements such as those listed below.

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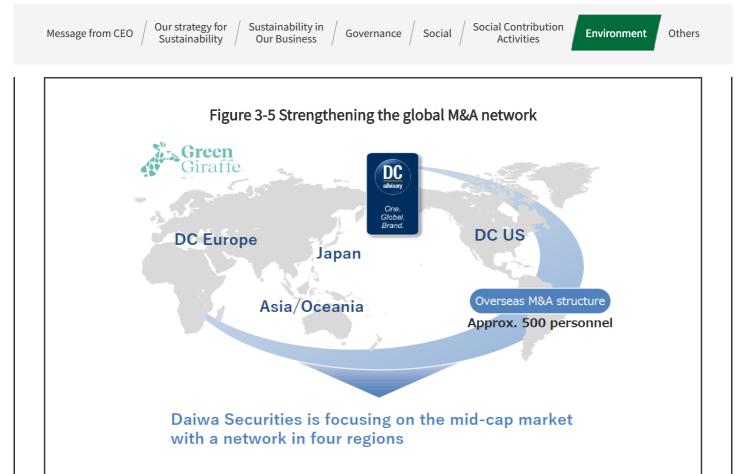
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Implementation	Overview		
Company A (Utility)	The company designs and constructs multi-utility networks that provide gas and electricity to residential and commercial buildings. DC Advisory provides support for finance related to sustainability-linked loan packages.		
Company B (Leasing)	The company operates leasing businesses for railway vehicles and tank containers. DC Advisory supported a consortium of infrastructure investors that acquired the company. The company worked with the management and sustainability experts to introduce a green finance framework.		
Company C (Leasing)	The company operates procurement and leasing businesses for railway vehicles. DC Advisory supported the introduction of an ESG information commitment (annual report created by borrowers).		
Company D (Storage)	The company is a provider of intermediate storage for liquid bulk (gasoline/diesel/biofuels) at major strategic hubs. DC Advisory supports fundraising through sustainability-linked loans from banks in Europe and North America.		
Company E (Storage)	The company handles storage of energy and chemical products and focuses on providing sustainable storage solutions. The company continues to invest in developing energy efficiency and renewable technologies. DC Advisory advises the company on fundraising through bank loans, including sustainability-linked loans.		

# Enhancing M&A Advisory in the Sustainability Field

The Group is further enhancing our M&A advisory in the sustainability field, particularly in opportunities such as M&A in the renewable energy sector within our wholesale division.

In October 2019, the Group took a 50% investment stake in Green Giraffe Advisory B.V., the Dutch renewable energy business advisory. In February 2021, the Group also established the joint venture DC Advisory (Thailand) Co., Ltd., through joint venture with 9 Basil Co., Ltd. and others in Thailand to strengthen our global M&A network (see figure 3-5). Going forward, we will contribute to the realization of a carbon-neutral society by providing M&A support to our clients in this field.



# Sourcing and Investment Promotion Focused on Sustainability

Taking into account risks (such as market downturn due to macroeconomic deterioration and decreased opportunities for sales) and opportunities (such as investment in renewable energy) primarily in the investment sector, the Group will further promote investment in the sustainability field, particularly in the renewable energy field.

The Group established Daiwa Energy & Infrastructure Co., Ltd. in July 2018 to expand and are expanding investment in the renewable energy and infrastructure field not only in Japan, but globally. In December 2019, we entered into a strategic partnership with Aquila Capital Holding GmbH of German (shifted to an affiliate applying the equity method in 2020), which develops and operates renewable energy businesses, and we are also accelerating investment in pgotovoltaic power plants and infrastructure assets in European as well. In September 2021, we utilized the lending function of Daiwa Energy & Infrastructure and the infrastructure asset management function of Daiwa Real Estate Asset Management to form the solar private core fund "DSREF Core Amaterasu Investment Business Limited Liability Partnership". Moving forward, we will promote the expansion of our assets under management by converting portfolios into funds and providing opportunities for external investors to address climate change issues, not only for ourselves but also for external investors.

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### **Providing Sustainability-Related Solutions**

We are further strengthening sustainability-related solutions in the research and consulting services provided by Daiwa Institute of Research, building on the opportunities available in the department (expansion of transition support solution business). Specifically, we will issue information and provide policy proposals on the impact of climate change on the economy and society and strengthen our consulting to establish management strategies and support projects to address climate-related risks, staring with responding to TCFD, as we connect our efforts to enhancing our customers' corporate value.

# **Realizing Carbon-Neutrality**

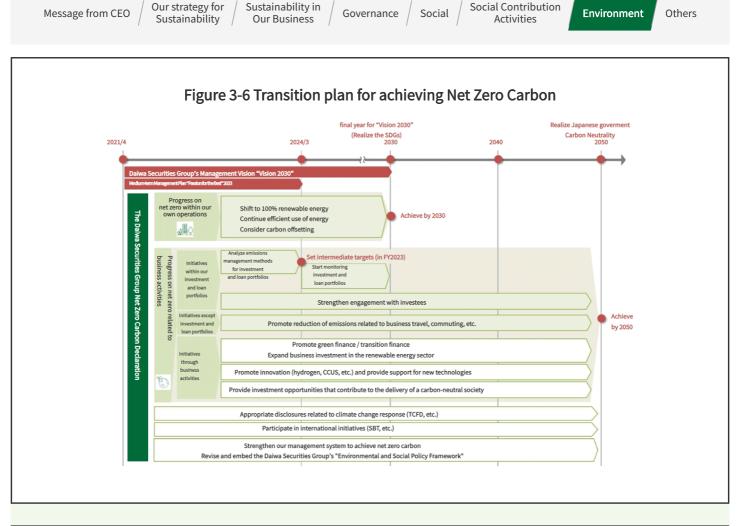
Considering the reputational risk of the Group, we are promoting the realization of net zero GHG emissions. For details, please refer to "<u>Transition Plan to Realize Carbon-Neutrality</u>".

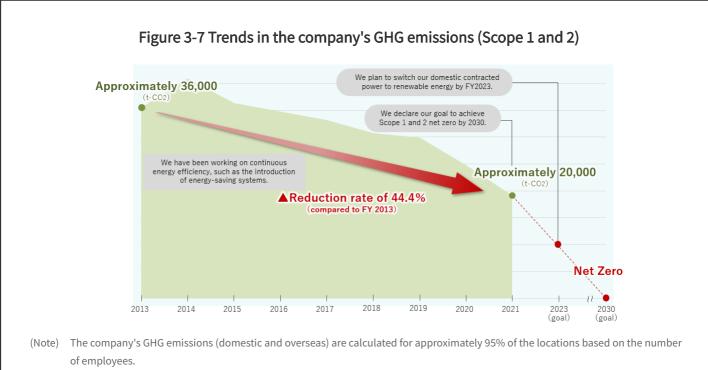
# Strengthening Engagement with Stakeholders

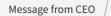
At the Group, to provide financing support for our customers' transition to carbon-neutrality, we are strengthening engagement (constructive dialogue) with all of our stakeholders starting with issuers and investors. For example, based on our "Environmental and Social Policy Framework", in recognition of risks relating to our businesses that could have a significant negative impact on the environment or society, we are advancing the appropriate policies through engagement with the recipients of our investments and loans.

# **Transition Plan to Realize Carbon Neutrality**

Parallel with our "Daiwa Securities Group Net Zero Carbon Declaration", we released a roadmap to realize the declaration and are advancing initiatives to realize carbon-neutrality (Figure 3-6).







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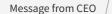
### Net Zero GHG Emissions within Our Own Operations by 2030 (Scope 1 and 2)

Regarding net zero GHG emissions from Scope 1 and Scope 2, we are promoting reductions based on our priority area "Reduce the environmental footprint of the Group" (Figure 1-3). In terms of our specific initiatives, we will promote continuing our energy-saving activities as well as introducing renewable energy (Figure 3-8).

### Figure 3-8 Examples of measures to promote our net zero GHG emissions (Scope 1 and 2)

Item	Examples of initiatives until FY2022	Examples of future initiatives
Energy-saving activities	<ul> <li>Efficient use of energy</li> <li>Replacement of equipment (air conditioning, lighting to LED)</li> <li>Optimization of operations, etc.</li> </ul>	<ul> <li>Continuously implementing measures to improve energy efficiency</li> </ul>
Introduction of renewable energy	<ul> <li>Introduction of renewable energy through the use of tracking non-fossil fuel certificates for domestic in-house contract electricity</li> </ul>	<ul> <li>Encouraging owners to switch to renewable energy for other companies' contracted electricity in domestic rental properties and overseas bases</li> <li>Utilization of carbon offset         <ul> <li>Emissions trading, etc.</li> </ul> </li> </ul>

In terms of our energy saving activities, we will introduce energy-saving technologies and systems at our facilities and streamline our energy use. We will continue to do so in the future. In addition, in regard to introduction of renewable energy, we have been using tracking non-fossil fuel certificates to shift to renewable energy at the Group's bases occupying the head office building (GranTokyo North Tower) since April 2021, and switched the tracking destination of the same certificate to renewable energy power generation facilities owned by Daiwa Energy & Infrastructure, a subsidiary of the Group, from July 2021 (Figure 3-9). Furthermore, we have also introduced renewable energy at some branches of Daiwa Securities and the Daiwa Institute of Research's main data center since October 2022. By the end of FY2023, we plan to switch all domestic properties to renewable energy. In the future, we will consider switching to renewable energy for leased properties and overseas locations that require coordination among stakeholders, as well as utilizing carbon offsets, in order to achieve net-zero GHG emissions (Scope 1 and 2) by 2030.

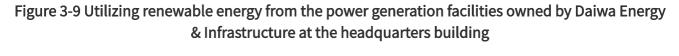


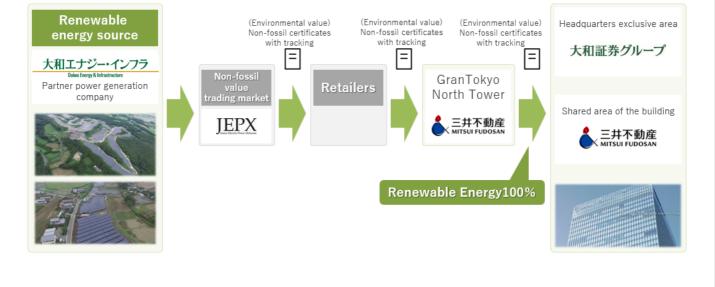
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In selecting the renewable energy menu to be introduced into our offices and other locations, we use not only the reduction effect of GHG emissions but also the Internal Carbon Pricing (ICP) as a material for judgment. Specifically, we compare the cost of future ICP implementation, calculated based on J-Credit prices, with the additional cost of introducing renewable energy. In the calculation, we use data on the expected reduction of GHG emissions due to the introduction of renewable energy obtained from the power companies, and by utilizing ICP in this way, we make a reasonable judgment on the additional cost of introducing renewable energy. In addition, in 2021, we established a department specializing in emissions trading at Daiwa Securities, and are advancing market research and system development in anticipation of the expansion of Japan's emissions trading market. Furthermore, in April 2023, we will participate in the GX League, led by the Ministry of Economy, Trade and Industry. In the league, participating companies are expected to lead the market design for achieving a carbon-neutral society, not only with their own efforts to reduce emissions, but also by collaborating with a wide range of stakeholders, including supply chains and civil society. The Group will set reduction targets for our own GHG emissions (Scope 1 and 2) at domestic locations required by the league, report achievements, conduct emissions trading based on reduction achievements, and disclose these activities. In addition, we will accumulate knowledge in preparation for the introduction of full-fledged emissions trading in Japan, through participation in the rule-making in the same field through the Carbon Credit WG, capturing business opportunities through dialogue and exchange between participating companies.

# Net Zero GHG Emissions within Our Investment and Loan portfolios etc. by 2050 (Scope 3)

### **Financed Emissions**

To realize a carbon-neutral society, we must manage and reduce emissions not only at the Group but also throughout the entire supply chain. Particularly for financial institutions, it is important to manage GHG emissions (Scope 3 Category 15, Financed Emissions) in investment and loan portfolios. Based on our priority area "Set targets to align with the Paris Agreement goals and expand transparent information disclosure", the Group will promote setting targets and disclosing information (Figure 1-3).

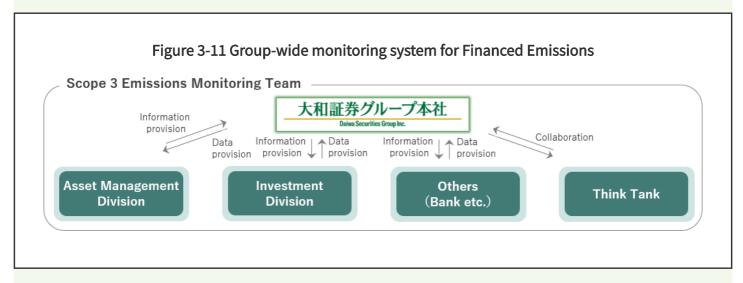
To reduce Financed Emissions, we will start by (1) identifying priority asset classes and sectors, (2) analyzing sector characteristics and collecting analysis data, (3) measuring emissions and considering management methods within the Group, (4) setting and disclosing

engagement.



In the measurement of Financed Emissions for the FY2021, the target asset classes were listed stocks, corporate bonds, corporate loans, unlisted stocks, commercial real estate, and project finance. The target sectors were power generation, steel, oil and gas, automobile manufacturing, coal mining, and transportation. For the measurement in the FY2022, sovereign bonds were added to the target asset classes, and agriculture, aluminum, cement, and real estate were added to the target sectors. We have established a Group-wide monitoring system for the management of Financed Emissions (Figure 3-11).

methods



In December 2021, we joined the Partnership for Carbon Accounting Financials (PCAF) and the PCAF Japan Coalition, initiatives related to GHG emissions measurement and disclosure. Under this system, we will continue to explore while utilizing PCAF's knowledge and database. As for the interim target, we plan to set and disclose goals that are in line with the Paris Agreement by using SBT or other means by the end of FY2023. Additionally, we will engage in decarbonization support for our investment and lending partners and participate in rule-making for measurement and disclosure in collaboration with international initiatives and authorities. For more details, please refer to "<u>Appendix: Approach for measuring GHG Emissions within our Investment and Loan Portfolios</u>".

### **Facilitated Emissions**

Furthermore, regarding facilitated emissions, which include GHG emissions from our capital market businesses such as underwriting, there is an ongoing international discussion, and we are monitoring the situation closely. Specifically, PCAF plans to publish guidance on measurement methods in 2023. It is recommended that financed emissions and facilitated emissions be disclosed separately. However, the IFRS Sustainability Disclosure Standards, published by the International Sustainability Standards Board (ISSB) in June

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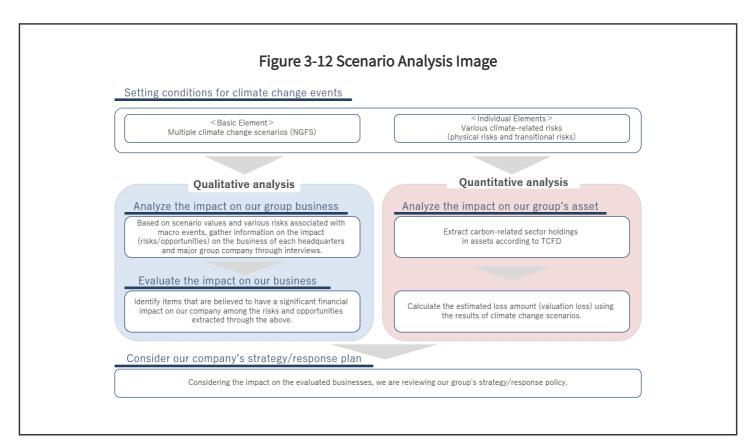
2023, currently excludes facilitated emissions from disclosure as the methodology is not yet sufficiently mature. As the Group, we consider measuring facilitated emissions important from the perspective of understanding our capital market portfolio and managing related business risks. We are currently consulting with relevant departments on measures to be taken for measurement. At Daiwa Securities, we are committed to contributing to a carbon-neutral society through initiatives such as supporting funding for startups with decarbonization technologies and promoting transition finance through our capital market business.

# Supporting a Smooth Transition to a Carbon-Neutral Society through the Financial Business

As an integrated securities group, through our financial business, we will continue to support our customers' efforts toward decarbonization. (Please refer to "<u>Strategic Climate Change Initiatives</u>" for more details.)

# Resilience Assessment of Our Strategy Based on Climate-Related Risks

The flow of scenario analysis conducted by the Group is based on multiple climate change scenarios (envisioning diverse climatechange phenomomena and other extensive changes) and (a) qualitatively assesses the impact on business activities and (b) calculates the impairment losses of assets classified as carbon-related industries. Based on these assessment and calculations, we are evaluating the Company's strategies and response policies.



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### **Envisioned Scenario**

Based on the scientific relationship of the positive correlation between the cumulative CO<sub>2</sub> emissions and the rise in global temperatures, we believe that the path of CO<sub>2</sub> emissions reductions holds a major key in future climate change. In addition to the rate of progress and effectiveness of reducing emissions, there are a wide range of factors to consider including natural phenomena such as natural disasters, climate events and their social changes, and other wide-ranging economic conditions, meaning the future will not be decided by a single factor. In the current scenario analysis, we performed various paths based on the scenarios of NGFS, which is a financial system impact assessment scenario formulated by NGFS (Network for Greening the Financial System) consisting of central banks, financial supervisory authorities, and others. Please refer to Figure 3-13 for an overview of the envisioned scenario.

\* NGFS is a network of financial authorities involved in the assessment of climate change risk etc.

Scenario		Basic Ele	ements	Assum	ed Risks
	Reference Scenario (NGFS)	Temperature Rise (2050)	CO <sub>2</sub> Emissions	Physical Risk (natural disasters, etc.)	Transition Risk (Climate- related specificities)
(1) Orderly Transition (Proactive Response)	Net Zero 2050	Approximately	Reduction (smooth)	Cure II	
(2) Disorderly Transition (Disrupted Response)	Delayed Transition	1.5°C (suppression)	Reduction (headwinds)	Small	Large
(3) Hot House World (Passive Response)	Current Policies	Over 3°C (continuation)	Reduction Pace Continues	Large	Small

# Analysis Results

### Qualitative Analysis of the Impact on Business Activities

Shutdowns or slowdowns in the economy or industry, volatility in the financial markets (falling stock prices, increased credit risk, etc.), damage from heavy rains or flooding and health problems caused by abnormally high temperatures were all listed as factors of relative concern. To apply these analysis results to scenarios, there is a relative risk of economic shutdowns or market volatility appearing in cases where CO<sub>2</sub> emission reductions lead to economic or social turmoil (disorderly transition) and of damage from heavy rains or flooding or of abnormally high temperature occurring in cases where CO<sub>2</sub> emission reductions are delayed (Hot House World).

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On the other hand, regarding the impact of the energy transition on business, there is a negative impact on existing businesses from the reduction of fossil fuel resources and a positive impact on new business opportunities with the increase in new forms of energy such as renewable energy, meaning that overall, the energy transition is positioned as a near neutral factor. Furthermore, there is the possibility of climate change initiatives such as CO<sub>2</sub> emission reductions affecting corporate evaluations (reputation), and we expect an indirect impact on the Group's business.

Thus, it is considered that the Group has a certain degree of adaptability to social and economic elements strongly related to climate events, such as energy transition. By preparing for disaster reduction measures and BCPs against direct risks such as heavy rain and floods, and steadily implementing climate measures to maintain reputation, it is possible to mitigate the negative impact even in cases of macroeconomic stagnation.

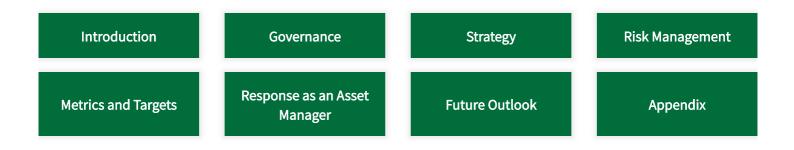
### Evaluation Losses of Assets Classified as Carbon-Related Industries among the Held Assets

In the process of reducing CO<sub>2</sub> emissions, a scenario of "disorderly transition" accompanied by confusion resulted in losses of approximately 55 billion yen (cumulative from 2023 to 2050), compared to a scenario assuming no impact from climate change and with significant economic headwinds. It is believed that the key to progress in reduction lies not only in the progress itself, but also in the overall response of society.

# **Future Response**

In the current scenario analysis, we have formulated hypotheses based on the information and data presently available and performed our evaluation after narrowing down the targets of analysis.

There are a wide range of topics for consideration regarding climate-related risks, and we envision a wide range of patterns in terms of the time of occurrence and scale of these risks. While conservatively interpreting the interpretation and results obtained from this round of scenario analysis, the Group plans to acquire a broader range of information and related data and improve our analysis methods in the future. We will also refine the identification of risks through our scenario analysis and work to appropriately reflect these risks in the Group's disclosure.



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# **Risk Management**

In the "Risk Management", the TCFD recommends disclosure on how the organizations identifies, assesses and manages climaterelated risks. The Group is proceeding with disclosure of information in line with this.

# Management of Climate Change Risks

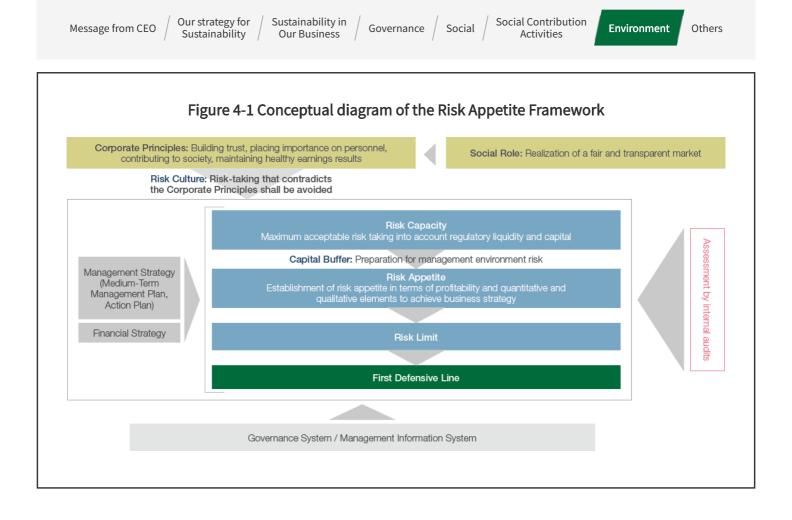
### **Overview of Risk Management**

he Group recognizes the importance of identifying, assessing, and effectively managing various risks, including those related to climate change. By appropriately managing risks that may manifest in the short and medium to long term, such as climate change risks, we aim to sustainably improve our corporate value while maintaining sound financial and revenue structures.

Each company within the Group monitors risks through the Risk Management Department and risk allocation departments based on the basic policy of risk management at the Group headquarters. The basic policy of risk management is deliberated and decided by the Board of Directors as the "Risk Management Regulations." In addition, risk issues, including climate-related issues, are reported to and deliberated and decided by the Group Risk Management Committee, a subcommittee of the Executive Committee.

# Climate Change Risk in the Risk Appetite Framework

The Group has introduced a Risk Appetite Framework (RAF) to establish a policy of risk-taking that is consistent with our business strategy, and to strengthen risk governance as a global financial institution (see Figure 4-1). The RAF defines the types and amounts of risks that should be proactively accepted for the achievement of revenue goals and business strategies as the risk appetite, and it is a management framework that is used as a common language within the company for overall risk-taking policies. The RAF is documented as a "Risk Appetite Statement," which is reviewed and decided upon by the Board of Directors and revised twice a year. The "Risk Appetite Statement" covers climate change risks from the FY2021. As a result, we will appropriately identify, evaluate, and effectively manage climate-related risks according to their risk profiles.



# Climate Change Risk in Top Risk Management

The risk events that require special attention in light of the Group's business characteristics are selected and managed as top risks. The management of the Group "visualize" the risk events that are identified and sorted by relevant departments based on risk events collected from both inside and outside the Group as candidates for top risks, to enable the management to understand and discuss extensive risks when selecting the top risks. Moreover, the Group's Directors and Corporate Executive Officers identify and extract such candidates for top risks by making a forward-looking evaluation of the level of impact on the Group's performance and the possibility that such risk events will occur. The Group has selected climate change risk as a "top risk" considering the increasing importance of its impact on the stability of financial institution management and financial systems (Figure 4-2).

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Risk events	Specific examples
Intensifying international disputes and conflicts	Russia-Ukraine war, U.SChina conflict (Taiwan emergency), etc.
Recurrence of the financial crises	-
Downgrading of JGBs and crash of yen assets caused by instability of Japan's financial situation	-
U.S. stagflation	-
China's economic recession	-
Inadequate response to DX (digital transformation)	Decline in competitiveness due to inadequate response to DX
Inadequate response to operational resilience	If we are unable to provide the appropriate service to customers due to inadequate resilience to natural disasters, cyberattacks and system failure, etc. the Company's reputation will be damaged.
Climate change	Decline in the value of held assets and decrease in selling opportunities as a result of climate change
Large-scale earthquake, flood damage	Increase in costs associated with natural disaster
Deterioration of business performance of investees	-
Cyberattack	-
System failure	-
Compliance risk	Inappropriate action by staff including money laundering, insider trading, etc.
Information leakage that has a significant impact	Serious information leaks, etc.

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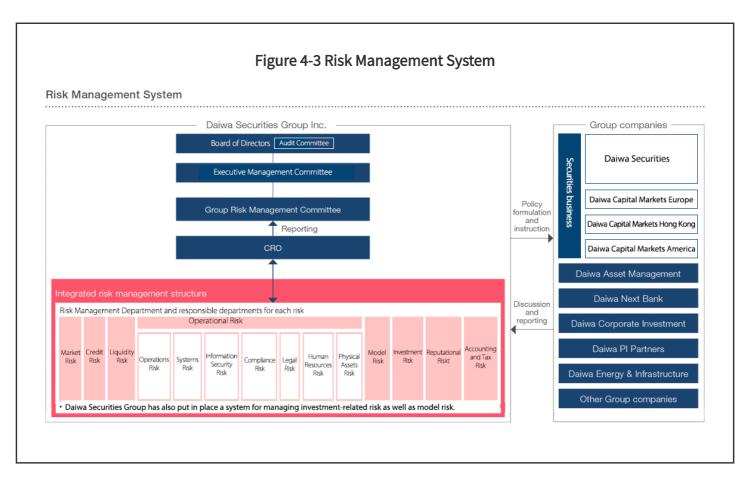
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# Management of Climate Change Risks within the Group's Risk Management Framework

In our business, there are various types of risks. The Group utilizes proprietary trading to temporarily hold positions for sales purposes and provide products to our customers, which includes liquidity risks, market risks due to price fluctuations, credit risks to counterparties and issuers, operational risks that inevitably arise in executing business operations, model risks resulting from using models for decision-making, and risks that hedging does not function. Additionally, investment risks arise from executing growth investments through hybrid strategies, such as deteriorating performance or credit status of investment targets, changes in market environment, etc. Therefore, we conduct integrated risk management that measures the impact on capital and liquidity within the Group from a forward-looking perspective.

In our Risk Appetite Statement, climate change risks are defined in addition to market risks, credit risks and liquidity risks. Climate change risks are related to many factors, including not only climate phenomena but also political and social responses and economic structures, and they affect each other. For example, the impact on stocks and interest rates due to changes in the overall economy (market risk), the impact on corporate business and financial conditions due to climate change measures such as decarbonization (credit risk), and the impact on funding environment due to delays in the Group's response to climate change (liquidity risk). Therefore, climate change risks can cause existing risks to occur or amplify them. For this reason, we will continue to develop a system to consider the impact of climate change risks within the existing risk management framework.



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# **Response to Climate Change Risks in Investments and Loans Activities**

The Group has demonstrated our approach to considering environmental and human rights concerns in our "Corporate Principles," "Basic Environmental Policies" and "Human Rights Policy" (Figure 4-4).

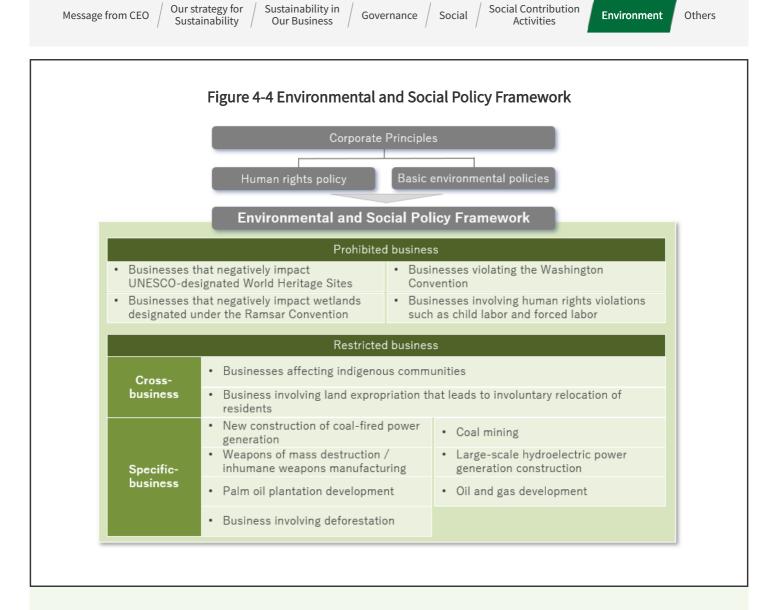
Further, as part of our efforts to enhance management of climate change risks related to financing\*, we established and released the "<u>Environmental and Social-related Policy Framework</u>" in June 2021. This framework specifies the prohibited and restricted business, targeting new investments and lones. Additionally, in December of the same year, we expanded the scope of the framework to include the underwriting of bonds and stocks issuance, which is a major business of the Group, in order to further strengthen our risk management system for the same risks in addition to new investment and loans.

\* New investments and loans and the underwriting of bonds and stocks issuance.

This framework serves as a guideline for recognizing and managing risks associated with businesses that have the potential to cause significant negative impacts on the environment and society, such as the destruction of natural habitats and ecosystems. The framework prohibits four types of businesses, including those violating the Washington Convention, and identifies nine businesses that require careful consideration, such as new coal-fired power generation and businesses involving deforestation (see Figure 4-4).

For financing related to these businesses, an initial ESG due diligence is conducted on the relevant projects. If additional confirmation is necessary based on the results of the assessment, an enhanced ESG due diligence is conducted through an in-depth investigation to determine the appropriateness of financing. If there is a possibility that the implementation of the project may have a serious impact on the corporate value of the Group, additional discussions will be held among the executive management to make a final decision on financing.

In the most recent revision conducted in December 2022, a review was conducted, including the strict policy on coal mining. Going forward, we will regularly review the framework in light of global trends.



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### Figure 4-5 Overview of the Environmental and Social Policy Framework (Climate Change-related only)

New construction of coal-fired power generation	We prohibit any financing where the use of proceeds are directed toward this type of business. Regarding the underwriting of bonds and stocks issuance, however, issuers that announce a target for net zero greenhouse gas (GHG) emissions by 2050, or businesses adopting new technology aligned with the goals of the Paris Agreement, may be considered on a case-by-case basis.
Palm oil plantation development	When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether the loss of wildlife habitat due to overdevelopment may lead to a loss of biodiversity, or land conflicts with indigenous residents, or human rights violations such as child labor/ forced labor, or whether appropriate measures are taken to prevent them. We will utilize these results in making decisions. In addition, when providing financing to a business, we will confirm if RSPO (Roundtable on Sustainable Palm Oil), an international certification system for palm oil, has been acquired. Where this is not in place, we will encourage clients to obtain certification. <u>We will encourage clients to make environmental and human rights policies such as NDPE (No Deforestation, No Peat and No Exploitation) or other compatible policies.</u>
Business involving deforestation	When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether appropriate measures will be taken to prevent a negative impact on the environment caused by the destruction of ecosystems, and whether illegal logging is carried out. We will utilize these results in making decisions. When providing financing to a business, we will encourage clients to obtain FSC (Forest Stewardship Council), an international forest certification system or other compatible certifications or to make environmental and human rights policies such as NDPE <u>or other compatible policies</u> .
Coal mining	We prohibit any financing where the use of proceeds are directed toward businesses using the mountaintop removal (MTR) method and new thermal coal mining businesses. When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether appropriate measures are taken to ensure occupational safety and a sanitary environment to prevent cave-in accidents, flood accidents, gas explosions, and human rights violations such as illegal labor. We will utilize these results in making decisions.
Dil and gas development	When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether appropriate measures are taken against their impact on the environment, ecosystems and local communities. We will utilize these results in making decisions. <u>In particular, we will make careful decisions when providing financing to development businesses in the Arctic, oil sands and shale oil and gas development businesses, pipeline businesses which may have significant negative impacts on the environment and society.</u>



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# **Metrics and Targets**

In the "Metrics and Targets", the TCFD recommends disclosure of the metrics and targets used to assess and manage relevant climaterelated risks and opportunities. Based on the strategy and risk management process described above, the Group has established and disclosed the following metrics and targets towards realizing a net-zero society. The progress of these metrics and targets is regularly reported and monitored by the Sustainability Promotion Committee, Executive Board and Board of Directors.

Figure 5-1 Metrics and Targets Related to Climate Change			
Item	Metrics	Target	Recent Performance (FY2022)
net zero greenhouse gas emissions within our own operations	Scope1 • 2 emissions*	net zero (2030)	17,104 tCO2
net zero greenhouse gas emissions within our investment and loan portfolios, etc	Scope3 emissions	net zero (2050)	-
Promotion of decarbonization through finance	Investment balance in SDGs-related businesses	Over 150 billion yen (FY2023)	130.5 billion yen
Enhancement of climate- related risk management	Carbon-related assets	-	Approximately 390 billion yen

# GHG Emissions within Our Own Operations

Towards the achievement of a carbon-neutral society, we are required to reduce our GHG emissions. Under the Daiwa Securities Group Net Zero Carbon Declaration, the Group aims to achieve net zero GHG emissions within our own operations (consolidated basis) by 2030 (Scope 1 and Scope 2). We are monitoring GHG emissions every year towards achieving these targets (see Figure 5-2). Please refer to section 3, Strategy, "<u>Transition Plan to realize Carbon Neutrality</u>" concerning the future transition plan for net zero carbon emissions.

Message	from	CEO
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(Unit: t-					
	FY2018	FY2019	FY2020	FY2021	FY2022
Scope1	944	868	842	954	840
Scope2	30,732	29,878	24,739	18,790	16,265

Two companies, Daiwa Securities Co. Ltd. and Daiwa Institute of Research Ltd., which are required by law to report on the amount of energy consumption and the volume of CO2 emissions. The data on GHG emissions from the GranTokyo North Tower, which the Group rents as an office, and the Daiwa Yaesu Building, which is owned by the Group, includes data for Group companies other than those mentioned above. (Overseas)

London, New York, Hong Kong, Taipei, Singapore, Seoul, Washington D.C., Mumbai and Manila offices.

(Calculation methods)

Calculations have been made for the CO<sub>2</sub> released from the use of electricity, utility gas, heavy oil, diesel fuel, kerosene, steam and cold water in accordance with the methods stipulated in the Act on the Rationalizing Energy Us and the Act on Promotion of Global Warming Countermeasures. Disclosed figures have been rounded off to the nearest whole number.

# GHG Emissions within Investment and Loan Portfolios etc.

For financial institutions, GHG emissions from investment and loan portfolios (Financed Emissions) are said to account for a large proportion, and reducing them is an important challenge. The Group aims to achieve net-zero GHG emissions from our investment and loan portfolios (Scope 3) by 2050, as stated in the "Daiwa Securities Group Net Zero Carbon Declaration".

As described in the "Strategy", the Group is conducting experimental measurements of GHG emissions from investment and loan portfolios based on "The Global GHG Accounting & Reporting Standard Part A (Second edition, December 2022)" established by PCAF. Based on the results of these measurements, we will set and disclose intermediate targets by the end of the FY 2023.

For more details, please refer to "<u>Strategy, Transition plan to realize carbon neutrality</u>" and "<u>Approach for measuring GHG emissions</u> within our investment and loan portfolios".

# **Investment Balance in SDGs-Related Businesses**

As stated in the "Strategy," the Group regards investing in new industries and companies that contribute to the transition to a carbonneutral society as a business opportunity and is making progress in this area. Based on this, we have set a target for the investment balance in SDGs-related businesses (see Figure 5-1).



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In addition, we have separately set goals for SDGs bond league tables (top three) to monitor the status of SDGs-related businesses, in conjunction with the above.

These KPIs will be reflected in executive compensation.

# **Carbon-Related Assets**

As we transition to a carbon-neutral society, there is a risk that the value of carbon-related assets with high GHG emissions will significantly decrease in the future, and continuing to hold them may also result in reputational risks. As an indicator of vulnerable assets, we disclose the status of carbon-related assets based on the definition of carbon-related assets in the TCFD supplementary guidance. The total amount as of the end of FY2022 is approximately 390 billion yen (see Figures 5-3 and 5-4).

The Group has announced the "Daiwa Securities Group Net Zero Carbon Declaration" and is working towards net-zero. We plan to examine the level of risk associated with carbon-related assets and consider measures for the medium to long-term reduction of particularly high-risk carbon-related assets.

	Figure 5-3 Total amount of carbon-related assets
Metrics	Carbon-related assets*
Performance	Approximately 390 billion yen

System). The targeted industries are 22 out of the 33 industries listed on the Tokyo Stock Exchange, including energy, transportation, materials and construction, and agriculture, food and forestry.

Figure 5-4 Breakdown of Carbon-Related Assets				
	Investment and Capital Contribution	Daiwa Next Bank CLO	Daiwa Securities LMS	Total
Energy	11%	6%	0%	17%
Transportation	2%	7%	2%	12%
Materials and Construction	26%	30%	6%	62%
Agriculture, Food, and Forestry	0%	8%	0%	9%
Total	40%	52%	8%	100%

(Note) The composition ratio is rounded to the first decimal place, so the total of individual values may not necessarily match the total.

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# Response as an Asset Manager

Our asset management division includes Daiwa Asset Management, which is responsible for securities asset management, and Daiwa Real Estate Asset Management, which is responsible for real estate asset management (including Daiwa Office Investment Corporation, which it operates). The former expressed its support for TCFD recommendations in December 2020, and the latter did so in December 2021. Both companies aim to achieve a carbon-neutral society through their asset management operations.

# Daiwa Asset Management

Daiwa Asset Management (hereinafter referred to as the Company) uses the total GHG emissions, carbon footprint<sup>\*1</sup> and carbon intensity<sup>\*2</sup> of its portfolios as GHG emission related indicators for individual funds and asset classes, and performs monitoring and analysis of them. Based on this data and its own original research, the Company undertakes engagement activities with companies to encourage them to decarbonize, and aims to achieve net zero CO<sub>2</sub> emissions by 2050.

- \*1. Carbon footprint is an indicator that measures the emissions per investment amount in millions of USD for the portfolio size.
- \*2. Carbon intensity is an indicator that measures the emissions per revenue amount in millions of USD for the investee company.

Carbon footprint and weighted average carbon intensity of japanese corporate bonds were found to exceed the benchmark values. This was, however, attributable to the inclusion in the portfolio of corporate bonds of electric power companies, at a weight higher than the benchmark.

In addition, as recommended by the TCFD, these were categorized as upstream or downstream, as illustrated in the below table for Scope 3, with the relevant emissions for each calculated and listed here for the first time. The Company intends to actively promote the decarbonization of its entire supply chain, by establishing a detailed understanding of total carbon emissions of our investee companies in Scope 1, Scope 2, and Scope 3, and with a particular emphasis on Scope 3. The Company will subsequently deploy this data in engagement activities with these companies, including our investee electric power companies. Please refer to the company's "Sustainability Report 2022" for more details.

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(tons of CO

D <sub>2</sub> equivalent)	Total greenhouse gas e	<u>e</u>

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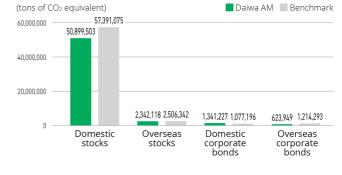
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Figure 6-1 Portfolios' total carbon dioxide emissions



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	Scope1、2		
	Daiwa AM	Benchmark	Disparity
Domestic stocks	5,494,325	6,367,039	-14%
Overseas stocks	355,353	360,370	-1%
Domestic corporate bonds	441,007	182,496	142%
Overseas corporate bonds	70,686	186,784	-62%
Total	6,361,371	7,096,689	-10%

#### (tons of CO<sub>2</sub> equivalent)

Scope3 Upstream			
	Daiwa AM	Benchmark	Disparity
Domestic stocks	16,535,670	17,761,710	-7%
Overseas stocks	499,761	537,468	-7%
Domestic corporate bonds	421,074	334,030	26%
Overseas corporate bonds	131,768	294,762	-55%
Total	17,588,273	18,927,970	-7%

Note: Benchmarks:

Domestic stocks: TOPIX (with dividends included)

Overseas stocks: MSCI ACWI ex Japan Index

Domestic corporate bonds: Bloomberg Asian-Pacific Japan Corporate TR Index Value Unhedged JPY

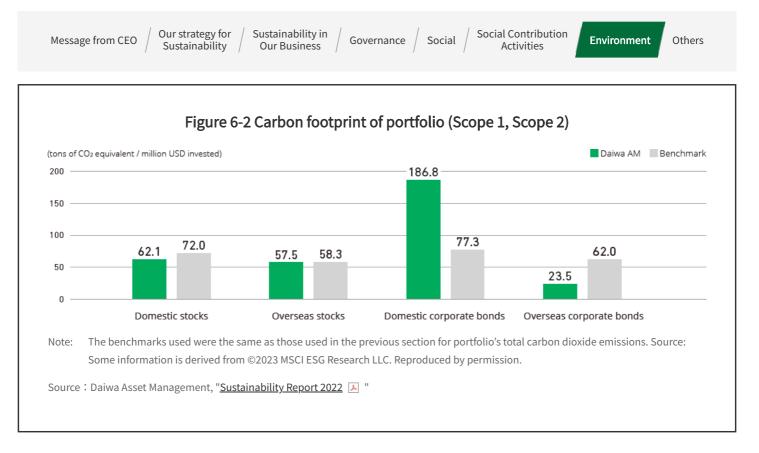
Overseas corporate bonds: Bloomberg Global Aggregate ex-JPY-Corporate TR Index Unhedged USD

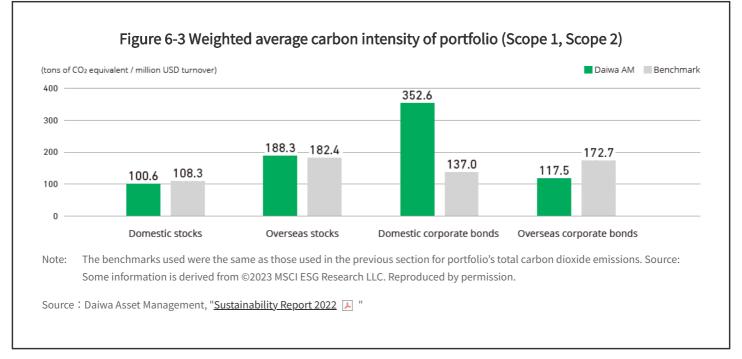
Source: Some information is derived from ©2023 MSCI ESG Research LLC. Reproduced by permission.

Source : Daiwa Asset Management, "Sustainability Report 2022 🚺 "

(tons of CO<sub>2</sub> equivalent)

Scope3 Downstream			
	Daiwa AM	Benchmark	Disparity
Domestic stocks	28,869,507	33,262,327	-13%
Overseas stocks	1,487,004	1,608,504	-8%
Domestic corporate bonds	479,146	560,670	-15%
Overseas corporate bonds	421,495	732,747	-42%
Total	31,257,152	36,164,248	-14%





# **Product Offering**

The company offers various investment funds aimed at achieving a carbon-neutral society. For example, in the "Carbon Neutral Equity Fund", which aims for carbon neutrality as a fund, we donate a portion of the trust fee to the Certified NPO Environmental Relations Research Institute and plant trees through the "Present Tree" project. Governance / Social

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### Engagement

The company has been disclosing key ESG issues that we seek from investee companies, including climate change. Specific points for climate change include GHG emissions, responding to climate change risk, and energy transition. We have also announced our policy for constructive dialogue with companies and the ideal management practices that we require from investee companies.

As part of our engagement activities with investee companies, we hold discussions on solutions such as sharing of issues, promotion of environmental management, and improvement of information disclosure for companies that face the challenge of reducing their environmental impact, aiming to reduce risks. We utilize the analysis of major indicators such as GHG emissions and scenario analysis of investee companies to understand climate-related risks and opportunities and use them in our engagement activities. In 2022, we conducted engagement with 1,138 companies, and about 35% of them were related to ESG.

Critical issue	Best Practices
Climate change	<ul> <li>By assuming and analyzing various climate change scenarios along the framework of TCFE transition risks, physical risks, and business opportunities are identified.</li> </ul>
	• Quantitatively grasp the reality of GHG emissions and the original unit, as well as the assumed risks and opportunities.
	• Establish a specific roadmap and milestones for achieving carbon neutrality by 2050, and explain the progress status annually. It is desirable to aim for a reduction of 50% or more that is consistent with our NZAMI interim goals as a target for 2030.
	• Develop and execute a business strategy that incorporates both risks and opportunities, and conduct an overview and evaluation of activities.

Fig	ure 6-5 Examples of Engagement Case Study by the Company
Engagement case stud	dy Climate change (Company A)
Issue	The amount of CO <sub>2</sub> emissions generated when producing aluminum ingots using recycled aluminum is only around 3% of the amount generating when producing aluminum from virgin ore; this represents a dramatic improvement in emissions performance. Due to the special characteristics of recycling, there is a need to maximize the effective utilization of scrap aluminum through collaboration with various different partners within the supply chain. The company in question had announced that it would be strengthening its initiatives in this area, with FY2030 as the target year, but the company had not disclosed its current recycling rate or set a specific target for the future.

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Background	A significant point was that, when supplying aluminum ingots (mainly for use in can
	manufacturing), the company was using a distinctive business model whereby, within Japan it was contractually required to use material supplied by the can manufacturers, making it difficult for the company to make progress in this area on its own. Recycling was difficult because different alloys were used for the body of the can and for the lid, and there were limits on how much scrap material could be procured.
Aeasures required o address the ssue	The company needed to transition from contracts whereby material was supplied by the can manufacturers, to a new type of contract that would allow the company to purchase its own raw materials. In addition, in order to strengthen procurement of recycled aluminum, there was a need for the company to strengthen its relationships with producers of secondary aluminum alloys, and to proceed with related R&D.
Situation after esolution	After changing the type of contract used, the company would be able to secure enhanced valueadded in relation to raw materials procurement, and the profitability of its domestic business would improve. Besides increasing the recycling ratio, the environmental performance of the company's products would also improve relative to other materials. With the shift away from PET bottles toward the use of aluminum containers, it can be anticipated that a "virtuous circle" would develop in which the company's production volume and sales volume would continue to grow.
Response from the company in question	Our policy is to disclose our current recycling rate, and to set and disclose our target for the future at the earliest possible date. Moving away from contracts that involved the use of materials supplied by the customer offers great benefits in terms of revenue, and we will be proceeding with negotiations with our customers in this regard.

# Daiwa Real Estate Asset Management

Daiwa Real Estate Asset Management engages in real estate operations for listed REITs, including Daiwa Office Investment Corporation (DOI), Daiwa Living Investment Corporation (DLI), and private REITs. The following is an excerpt from the company's "<u>Sustainability</u> <u>Report 2023</u> ] (July 2023).

### Governance

The Asset Manager has established the Climate Change and Resilience Policy, the policy for responding to risks and opportunities related to climate change and working to make business and strategy resilient to climate-related issues. In accordance with the policy, Chief Climate-Related Issues Officers (general managers of departments engaged in sustainability promotion) make regular reports to the Chief Executive Officer for Climate-Related Issues (President and Representative Director) at

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Sustainability Promotion Committee meetings. The reports cover matters related to responses to climate change, including identification and evaluation of impacts of climate change, management of risks and opportunities, progress of initiatives for adaptation and mitigation, and indicator and target setting. The Sustainability Promotion Committee deliberates and discusses issues related to climate change, after which the Chief Executive Officer for Climate-Related Issues makes final decisions. Under this system, climate-related issues are supervised by the President and Representative Director.

### Strategy

To factor climate-related risks and opportunities into the Investment Corporation's real estate management business, the Asset Manager conducted a scenario analysis of the Investment Corporation's portfolio. The Asset Manager referred to climate outlooks published by international organizations and other entities, in order to identify risks and opportunities of climate change brought to the Investment Corporation and assess financial impacts on the Investment Corporation's business. Using a 1.5°C/2°C scenario and a 4°C scenario, a qualitative analysis was conducted.

For each scenario, the Asset Manager classified the financial impacts of identified risks and opportunities into short-term, mediumterm and long-term impacts and examined relative scales of impacts on the Investment Corporation. Shown below are medium-term and long-term risks from climate change that have a certain degree of financial impacts. Sustainability in Our Business

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Cficalassition		Risk and Opportunity Factors in Real Estate Management	Potential Financial Impacts	Category	Financial Impacts				
					4°C Mid Long Term Term		1.5°C Mid Term	C/2°C Long Term	Countermeasures
Transition Risks and Opportunities	Policy and Legal	Stricter regulations against GHGemissions due to an introduction of carbon tax	<ul> <li>Increased tax burden due to the introduction of carbon tax, depending on the volume of GHGemissions from properties</li> </ul>	Risk	Small	Small	Medium	Large	<ul> <li>Introduction of energy management systems and renewable energy</li> <li>Planned reduction of energy consumption/GHGemissions at portfolio properties</li> <li>Improvement in GHGemissions through strategic replacement/renovation of properties</li> <li>Increase in environmental certification acquisition rates</li> </ul>
		Stricter energy-saving standards, obligation to report emissions	<ul> <li>Increased renovation costs due to raised energy-saving standards</li> <li>Increased business expenses related to emissions reporting</li> </ul>	Risk	Small	Small	Large	Large	
		Enhanced competitiveness of properties that comply with legal regulations	<ul> <li>Increased rent income from portfolio properties with high environmental performance</li> <li>Decreased utility bills thanks to improved energy efficiency</li> </ul>	Opportunity	Small	Small	Medium	Medium	
	Tech	Advancement and spread of energy-saving and renewable energy technologies	<ul> <li>Increased renovation costs due to the introduction of new technologies</li> </ul>	Risk	Small	Small	Large	Large	<ul> <li>Introduction of cutting-edge technologies</li> <li>Planned renovation works</li> <li>Promotion of transition to power derivedfrom renewable energy</li> </ul>
	Technology		<ul> <li>Decreased utility bills thanks to better energy-saving performance</li> </ul>	Opportunity	Small	Small	Medium	Medium	
	Market	Fluctuations in properties' asset value depending on environmental performance	<ul> <li>Fluctuations in portfolio properties' asset value depending on environmental certification acquisition rates</li> <li>Fluctuations in rent income depending on the proportion of portfolio properties with high environmental performance</li> </ul>	Risk	Small	Small	Large	Large	<ul> <li>Increase in environmental certification acquisition rates</li> <li>Promotion of transition to power derived from renewable energy</li> <li>Sufficient information disclosure about portfolio properties' environmental performance</li> </ul>
			• Decreased utility bills thanks to better energy-saving performance	Opportunity	Small	Small	Medium	Medium	
		Changes in the stances of investors/lenders/tenants on investment and lending	<ul> <li>Fluctuations in reputation from ESG-conscious investors and lenders</li> <li>Fluctuations in ESG-conscious</li> </ul>	Risk	Small	Small	Large	Large	<ul> <li>Appropriate disclosure of ESG- related information, including that on climate change</li> <li>Higher ratings in ESGassessments by external institution</li> <li>Reduction of financing costs through the use of sustainability finance</li> </ul>
			<ul> <li>tenants' demand for moving in and out</li> <li>Better/Worse terms and conditions in financing from financial institutions, etc.</li> </ul>	Opportunity	Small	Small	Medium	Medium	
	Reputation	Decline in reputation from investors and customers	<ul> <li>Decreased investment unit prices/Lower ESG ratings</li> <li>Decreased profitability of properties with low environmental performance/resilience</li> </ul>	Risk	Small	Small	Medium	Large	<ul> <li>Appropriate disclosure of ESG- related information, including that on climate change</li> <li>Stronger stakeholder engagement in the ESGarea</li> <li>Continuous improvement of environmental performance/ Continuous acquisition of</li> </ul>

Cficalassition		Risk and Opportunity Factors in Real Estate Management	Potential Financial Impacts	- Category	Financial Impacts				Countermeasures
					4°C		1.5°C/2°C		
					Mid Term	Long Term	Mid Term	Long Term	
Physical Risks	Acute	Increased loss due to intensifying storm and flood damage	<ul> <li>Increased repair costs and insurance premiums</li> <li>Decreased rent income due to lower occupancy rates</li> <li>Loss of business</li> </ul>	Risk	Small	Medium	Small	Small	<ul> <li>Risk comprehension using hazar maps, etc.</li> <li>Portfolio of highly resilient properties</li> <li>Upgrading of facilities to install high-efficiency air conditioning systems, introduction of energy</li> </ul>
	Chronic	Increased damage from rise in average temperature/sea level	<ul> <li>opportunities/Increased business continuity risks</li> <li>Increased renovation costs to protect portfolio properties from water intrusion, damage, destruction, etc.</li> </ul>	Risk	Small	Small	Small	Small	<ul> <li>management systems</li> <li>Implement energy saving initiatives in corporation with tenants, including green leases</li> <li>Enhancement of BCPmeasures</li> <li>Promotion of greening at portfolio properties</li> </ul>

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						Financia	I Impacts		
Cficala	assition	Risk and Opportunity Factors in Real Estate Management	Potential Financial Impacts	Category	4°C		1.5°C/2°C		Countermeasures
		in Real Estate Management			Mid Term	Long Term	Mid Term	Long Term	
		Stricter regulations against GHGemissions due to an introduction of carbon tax	<ul> <li>Increased tax burden due to the introduction of carbon tax, depending on the volume of GHGemissions from properties</li> </ul>	Risk	Small	Small	Medium	Medium	<ul> <li>Introduction of energy management systems and renewable energy</li> </ul>
	Policy and Legal	Stricter energy-saving standards, obligation to report emissions	<ul> <li>Increased renovation costs due to raised energy-saving standards</li> <li>Increased business expenses related to emissions reporting</li> </ul>	Risk	Small	Small	Medium	Medium	<ul> <li>Planned reduction of energy consumption/GHGemissions at portfolio properties</li> <li>Improvement in GHGemissions through strategic</li> </ul>
		Enhanced competitiveness of properties that comply with legal regulations	<ul> <li>Increased rent income from portfolio properties with high environmental performance</li> <li>Decreased utility bills thanks to improved energy efficiency</li> </ul>	Opportunity	Small	Small	Small	Medium	<ul> <li>Increase in environmental certification acquisition rates</li> </ul>
	Technology	Advancement and spread of energy-saving and renewable energy technologies	<ul> <li>Increased renovation costs due to the introduction of new technologies</li> </ul>	Risk	Small	Small	Medium	Medium	<ul> <li>Introduction of cutting-edge technologies</li> </ul>
			<ul> <li>Decreased utility bills thanks to better energy-saving performance</li> </ul>	Opportunity	Small	Small	Medium	Medium	<ul> <li>Planned renovation works</li> <li>Promotion of transition to power derivedfrom renewable energy</li> </ul>
Transition Risks and Opportunities		Fluctuations in properties' asset value depending on environmental performance	<ul> <li>Fluctuations in portfolio properties' asset value depending on environmental certification acquisition rates</li> <li>Fluctuations in rent income depending on the proportion of portfolio properties with high environmental performance</li> </ul>	Risk	Small	Small	Medium	Medium	<ul> <li>Increase in environmental certification acquisition rates</li> <li>Promotion of transition to power derivedfrom renewable energy</li> <li>Sufficient information disclosure about portfolio properties'</li> </ul>
	Market		<ul> <li>Decreased utility bills thanks to better energy-saving performance</li> </ul>	Opportunity	Small	Small	Small	Medium	environmental performance
		Changes in the stances of	<ul> <li>Fluctuations in reputation from ESGconscious investors and lenders</li> <li>Fluctuations in ESGconscious</li> </ul>	Risk	Small	Small	Medium	Medium	<ul> <li>Appropriate disclosure of ESGrelated information, includin that on climate change</li> <li>Higher ratings in ESG assessmen</li> </ul>
		investors/lenders/tenants on investmentand lending	_	Opportunity	Small	Small	Small	Medium	<ul> <li>by external institution</li> <li>Reduction of financing costs through the use of sustainability finance</li> </ul>
	Reputation	Decline in reputation from investors and customers	<ul> <li>Decreased investment unit prices/Lower ESG ratings</li> <li>Decreased profitability of properties with low environmental performance/resilience</li> </ul>	Risk	Small	Small	Medium	Medium	<ul> <li>Appropriate disclosure of ESGrelated information, including that on climate change</li> <li>Stronger stakeholder engagement in the ESG area</li> <li>Continuous improvement of environmental performance/ Continuous acquisition of environmental certifications</li> </ul>

						Financia	l Impacts		
Cficalassition		Risk and Opportunity Factors	Potential Financial Impacts	Category	4°C		1.5°C/2°C		Countermeasures
		in Real Estate Management			Mid Term	Long Term	Mid Term	Long Term	
Physical Risks	Acute	Increased loss due tointensifying storm and flood damage	<ul> <li>Increased repair costs and insurance premiums</li> <li>Decreased rent income due to lower occupancy rates</li> <li>Loss of business</li> </ul>	Risk	Medium	Medium	Small	Small	<ul> <li>Risk comprehension using hazard maps, etc.</li> <li>Portfolio of highly resilient properties</li> <li>Upgrading of facilities to install high-efficiency air conditioning systems, introduction of energy</li> </ul>
	Chronic	Increased damage from rise in average temperature/sea level	<ul> <li>opportunities/Increased business continuity risks</li> <li>Increased renovation costs to protect portfolio properties from water intrusion, damage, destruction, etc.</li> </ul>	Risk	Small	Small	Small	Small	<ul> <li>management systems</li> <li>Implement energy saving initiatives in corporation with tenants, including green leases</li> <li>Enhancement of BCP measures</li> <li>Promotion of greening at portfolio properties</li> </ul>

#### **Risk Management**

The Investment Corporation's Climate Change and Resilience Policy sets out processes to identify, assess, and manage the impacts of climate change risks and opportunities on the corporation's management activities, strategies, financial plans, etc.

Chief Climate-Related Issues Officers summarize climate-related risks and opportunities and report the progress to the Sustainability Promotion Committee, in principle, once a year.

The Sustainability Promotion Committee continuously identifies, assesses, and manages climate change risks and opportunities that are important to the business and financial plans and affect the asset management operations of the Investment Corporation. Based on the above reports, the committee prioritizes issues of strategic importance to the business.

The Chief Executive Officer for Climate-Related Issues instructs to factor important climate-related risks with high priority, which have been deliberated by the Sustainability Promotion Committee, into the existing company-wide risk management program. The risk identification, assessment, and management processes are thus integrated.

#### **Metrics and Targets**

Each Investment Corporations sees the transition to a carbon-neutral society as an opportunity. The following target KPIs (Key Performance Indicators) have been established as key monitoring indicators in the process of managing climate change risks and opportunities.

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Figure 6-8 Metrics and Targets (DOI)					
KPI					
Reductionof CO <sub>2</sub>	Mid-term target (FY2030) : Reduction of 46% in $CO_2$ emissions on an intensity basis across the portfolio by FY2030 (compared with FY2013)				
emissions	Long-term target (FY2050) : Achieved carbon neutrality in CO <sub>2</sub> emissions on an intensity basis across the portfolio by FY 2050.				



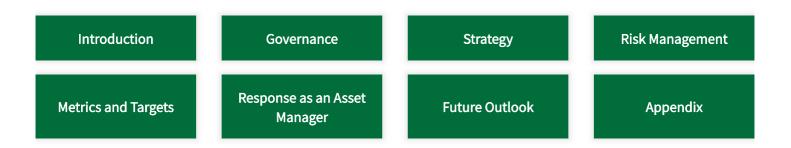
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# **Future Outlook**

The Group positions responding to sustainability, including climate change, as one of our important management challenges, and we are advancing various initiatives. Moving forward, we will continue to steadily promote strategic initiatives related to climate change, including efforts towards net-zero based on the "Daiwa Securities Group Carbon Neutral Declaration", and aim to achieve the "Vision 2030". Additionally, we will strive to enhance communication with stakeholders and further improve information disclosure based on the TCFD recommendations.

	Next action
Governance	<ul> <li>Strengthening the supervision of the board of directors (including the three committees) in relation to climate-related issues.</li> </ul>
Strategy	Continuously examining the financial impact of climate-related risks.
Risk Management	<ul> <li>Continuously examining the integration of climate-related risks into the existing risk management system.</li> <li>Continuously reviewing the environmental and social policy framework.</li> </ul>
Target and Metrics	<ul> <li>Setting intermediate targets for Scope 3 Category 15 and Financed Emissions that are consistent with the Paris Agreement, utilizing SBT and other methods.</li> <li>Examining the calculation method for Facilitated Emissions.</li> </ul>



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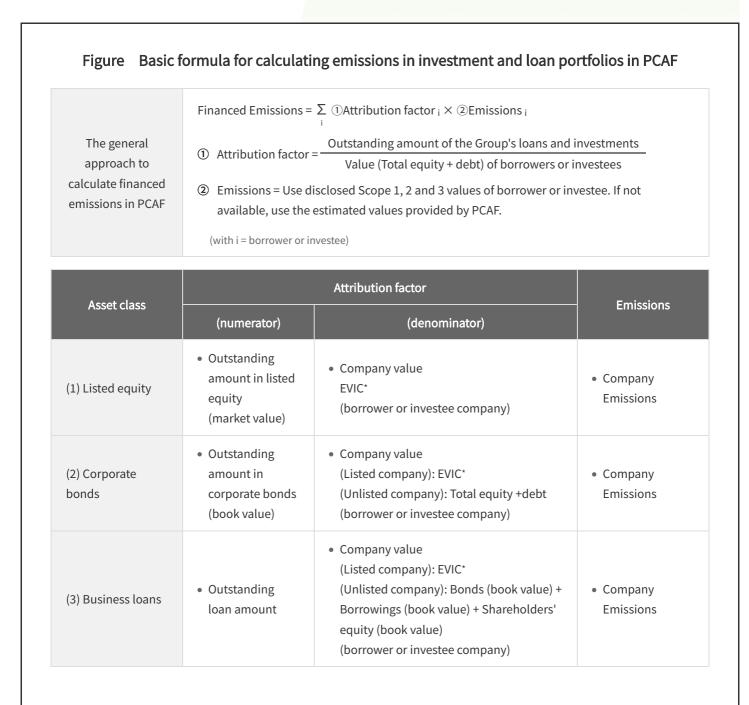
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# Approach for Measuring GHG Emissions within Investment and Loan portfolios

The basic formula for calculating the emissions in investment and loan portfolios (Financed Emissions) is as follows. The Group calculates this based on the basic formula of PCAF as the calculation method for our own Group.



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Asset class	(numerator)	(denominator)	- Emissions
(4) Unlisted equity	<ul> <li>Outstanding amount of unlisted equity (Shares of financial institute ÷ Total shares × Total equity)</li> </ul>	<ul> <li>Company value Bonds (book value) + Borrowings (book value) + Shareholders' equity (book value) (borrower or investee company)</li> </ul>	• Company Emissions
(5) Commercial real estate	<ul> <li>Outstanding amount of loans and investments</li> </ul>	• Property value at origination	• Building emissions (energy consumption × emission factor)
(6) Project finance	<ul> <li>Outstanding amount</li> </ul>	<ul> <li>Shareholder's equity + interest-bearing debt (bonds + loans)</li> </ul>	<ul> <li>Project</li> <li>Emissions</li> </ul>
(7) Sovereign debt	<ul> <li>Outstanding amount of sovereign debt (book value)</li> </ul>	<ul> <li>Purchasing Power Parity (PPP) - adjusted GDP</li> </ul>	<ul> <li>Sovereign emissions</li> </ul>

\* EVIC (Enterprise Value Including Cash) is the sum of the market capitalization of ordinary and preferred shares at fiscal year-end, the book values of interest-bearing liabilities (bonds + borrowings), and non-controlling interests, without deducting cash or cash equivalents.

Source: Created from PCAF "Financed Emissions The Global GHG Accounting & Reporting/PartA" and the Ministry of the Environment "Report on the Utilization and Advancement of Portfolio Carbon Analysis".

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# **Issuance of Green Bonds**

Until now, Daiwa Securities Group has sold various kinds of SDG bonds in Japan (including conventional Impact Investment bonds), thereby supporting the solving of social issues from the standpoint of a financial institution. In November 2018, Daiwa Securities Group Inc. issued its first Green Bonds, expanding its initiatives aimed at invigorating markets. As part of such initiatives, the proceeds from the Green Bonds have been used as investment and loan funds for renewable energy generation projects worked on by the Group, as well as facility funds for Green Buildings. The Group will continue to contribute to the realization of a sustainable society and provide investors with new investment opportunities.

# Information on Green Bonds Issued by Daiwa Securities Group Inc. (as of the end of June 2023)

#### 1. Allocation of proceeds

The proceeds from the Green Bonds issued by Daiwa Securities Group Inc. in November 2018 (issuance amount: ¥10 billion) were fully appropriated for eligible Green Projects.

See the table below for the balance of investment and loans for eligible Green Projects by category.

#### List of Eligible Green Projects (as of the end of June 2023)

Category	Sub-category	Commencement of Finance/Refinance	Finance/Refinance	Balance (units of ¥ billion)
Renewable energy	Photovoltaic power generation	June 2021	Finance	1.8
Renewable energy	Photovoltaic power generation	June 2023	Refinance	0.7
Renewable energy	Photovoltaic power generation	June 2023	Refinance	5.5
Green Building	-	November 2018	Refinance	2.0
		tot	al	10

ent Others

#### 2. Environmental Impact

#### Report on Environmental Impact (as of the end of June 2023)

#### **Renewable energy**

Sub-category	Energy output/ assumed energy output (MWh)	Estimated CO <sub>2</sub> emissions reduction effect (t-CO <sub>2</sub> )
Photovoltaic power generation	90,816	41,503

\* Calculation of environmental impact when no results have been obtained or the period of operation is less than one year, the assumed energy output is calculated based on a report on energy output projections submitted by a third-party institution. For projects under development, the assumed output for the first year of operation is used. All power plants are scheduled to be brought into operation by FY2023.

#### **Green Building**

Level of certifications				
Awarded Five Stars for the DBJ Green Building Certification Program				
Energy consumpti	on (GJ/kl)	CO2 emission (t)		
38.764	Ļ	8,110		
Energy consumption by use (%)		Water consumption (m <sup>3</sup> )		
Electricity	74.45	35,756		
Heavy oil	0.141	Waste generated (t)		
Cold water	16.914	324.9		
Steam water	8.482	Recycle rate (%)		
Gas	0.013	60		

\* The figures are for the period from April 2022 to March 2023.

### 3. Annual Review by Independent provider of ESG research and analysis

A review by an independent provider of ESG research and analysis confirmed that the use of proceeds criteria and the reporting criteria were met.

> Annual Review by Sustainalytics 🗵

Governance Se

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#### 4. Initiatives by Group Companies

#### Daiwa Securities Co. Ltd.

Disclosure of criteria and specific procedures for judging suitability for eligible investments and loans related to the Funds-Supplying Operations to Support Financing for Climate Change Responses by BANK OF JAPAN < Japanese only >

#### Daiwa Next Bank, Ltd.

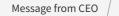
Disclosure of criteria and specific procedures for judging suitability for eligible investments and loans related to the Funds-Supplying Operations to Support Financing for Climate Change Responses by BANK OF JAPAN < Japanese only >

#### Daiwa Energy & Infrastructure Co. Ltd.

- Notice on Sales, etc. of Daiwa Green Finance Program Trust Beneficiary Interests and Trust ABL (Iwamizawa and Kushiro Solar Power Plants) < Japanese only >
- Notice on Sales, etc. of Daiwa Green Finance Program Trust Beneficiary Interests and Trust ABL (Shiraoi Town Takeura Solar Power Plant) < Japanese only >
- Completion of Shiraoi Town Takeura Solar Power Plant < Japanese only >
- > Reporting on Green Project Bonds < Japanese only > 🕨

#### Daiwa Office Investment Corporation (managed by Daiwa Real Estate Asset Management)

- > Notice Concerning Establishment of Green Finance Framework, etc. 🕨
- > Notice Concerning Issuance of Investment Corporation Bonds (Green Bonds) 🗵



#### Our strategy for Sustainability

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# Sustainability Data Edition

Numerical data related to the sustainability promotion of the Group is compiled and published as a Data Edition.

#### Sustainability Data Edition

✓ 2023

#### **SDGs Data Edition**

✓ 2021 × 2020 ✓ 2022

# Sustainability Data Edition 2023





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# SDGs Data Edition 2022



# SDGs Data Edition 2021



# SDGs Data Edition 2020



#### How to view a PDF File?



To view a PDF file, you will need to have Adobe Reader installed. To download a free copy of Adobe Reader, click on the icon above.



## **Sustainability Archive**

#### SDGs Report

\* These reports are PDF versions of the information posted on the Sustainability website as of September 30 in each year for greater convenience. The latest information is timely disclosed on the website.

2022 ✓ 2021 ✓ 2020 V **SDGs Booklet**  $\sim$ 2022 ✓ 2021 ✓ 2020 SDGs Data Book 2019  $\checkmark$ **CSR Report** ✓ 2017 ✓ 2016 ✓ 2015 ✓ 2014 × 2013 × 2012 ✓ 2011 ✓ 2018 ✓ 2010 2009  $\checkmark$ Sustainability Report 2005 2003 2002 2008 2007 2006 2004 SDGs Report 2022 SDGs Report 2021 SDGs Report 2020 > Full Edition [PDF:55,148KB] > Full Edition [PDF:57,786KB] > Full Edition [PDF:22.2MB]



## SDGs Booklet 2022



# SDGs Booklet 2021



# SDGs Booklet2020



#### SDGs Data Book 2019





#### Our strategy for Sustainability

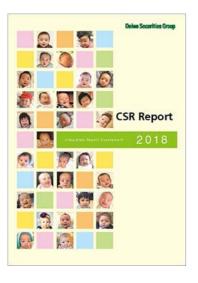
Sustainability in Our Business Governance S

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## CSR Report 2018



CSR Report 2017



## CSR Report 2016



# CSR Report 2015



# CSR Report 2014



# CSR Report 2013



#### Message from CEO

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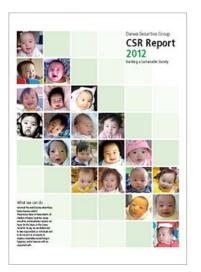
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nt Others

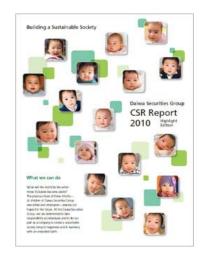
# CSR Report 2012



# CSR Report 2011



# CSR Report 2010



## CSR Report 2009



#### Message from CEO

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# Sustainability Report 2008



## Sustainability Report 2007



## Sustainability Report 2006



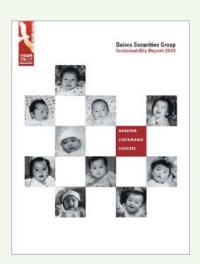
## Sustainability Report 2005



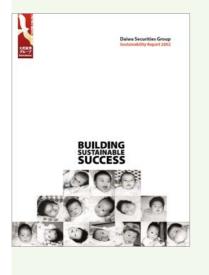
## Sustainability Report 2004



## Sustainability Report 2003



## Sustainability Report 2002



#### How to view a PDF File?



To view a PDF file, you will need to have Adobe Reader installed. To download a free copy of Adobe Reader, click on the icon above.



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# **ESG Information Index**

Information on the Daiwa Securities Group is organized from the perspective of ESG surveys and other research.

# **General Management**

Message from Management	> Message from CEO
Corporate Philosophy and	> Corporate Principles
Code of Conduct	> [Japanese] Daiwa Spirit [PDF:80KB] 📕
	> Management Policy
	> Basic Policy on Stakeholder Engagement
Sustainability as a	> Daiwa Securities Group's Management Vision "Vision 2030" and Materiality
Management Strategy	> Daiwa Securities Group SDGs Declaration
	> Sustainability Promotion Structure
	> Message from the Head of Sustainability
Participation in Initiatives	> Participation in Initiatives
External Evaluations	> Third-Party Evaluations
Independent Assurance	> Independent Assurance Report (Sustainability Data Edition 2023) [PDF:880KB] 🗵

# Initiatives through Business Activities (To achieve Sustainability)

Thinking in the Securities	> Role and Social Responsibilities of the Securities Business
Business	> Supporting Sound Financial and Capital Markets -Six Roles of the Daiwa Securities Group-



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How to think about	> Environmental and Social Policy Framework
investing	
	[Daiwa Securities Co.Ltd.] Acceptance of the Japanese version of the Stewardship Code (Japanese)
	> [Daiwa Asset Management Co.Ltd.] Our Stewardship Activities (Japanese)
	> [Daiwa Asset Management Co.Ltd.] ESG Investment Policy (Japanese)
	> [Daiwa Asset Management Co.Ltd.] Investment in cluster bomb manufacturing companies and other treatment
	> Responsible Action as an Institutional Investor
	> [Daiwa Real Estate Asset Management Co. Ltd.] Sustainability Initiatives 🗇
Responsibility to customers	> Basic Policy on Customer-first Operations
and customer satisfaction	> Introduction of NPS <sup>®</sup> (Net Promoter Score) Towards Realization of Quality No. 1
	> Improving In-Branch Customer Service Quality
	> Working to Incorporate Customer Voices
Develop and Provide	> Initiatives through Business Activities Such as the Underwriting and Sale of SDG Bonds
Products	> Sustainable Finance
	> ESG Funds
	> Initiatives in Funds for Decarbonization (Daiwa Asset Management)
Inclusion (Financial	> Improving In-Branch Customer Service Quality
Inclusion, etc.)	Expansion of Services for Asset-Building Customers through Smartphone-only Securities Company, "Daiwa Connect Securities"
Analysis and Recommendations for	> Initiatives to Provide Information on ESG (Daiwa Securities)
Economic, Social and Investment Information	> Comprehensive Provision of Information and Policy Proposal Activities
Investing in Businesses that	> Creation of Next Generation Financial Services
Solve Social Problems	> Promotion of Investment and Financing in Energy
	> Daiwa ACA Business Succession
	> Promotion of Sustainable Agricultural Production Business
	> Daiwa ACA HealthCare Inc.

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	> Provision of High-Quality Nursing Care Services
	> Creation of Next Generation Industries and Services
Investing in Ventures That Solve Social Issues	
> Investment in Drug Development Ventures and Other Businesses by DCI Partners	
> Initiatives Using REITs, Funds and Other Structures to Solve Social Issues	
	> Issuance of Green Bonds

# Environment

Environmental Management	> The Daiwa Securities Group Net Zero Carbon Declaration
	> Environmental Vision / Environmental Principles / Basic Environmental Policies
	> Environmental Management
	> Targets for FY2023
	> Response to Climate Change (Disclosure Based on the TCFD Recommendations 2023)
Efforts and Achievements in Reducing Environmental Impact	> Initiatives to Reduce the Environmental Impact of Business Activities
	> Environment (Sustainability Data Edition 2023) [PDF: 880KB] 📕

# Society

Employment and Working Environment	> Hiring Approaches and Policy
	> Guidelines for Fair Hiring
	> Initiatives for Autonomous Career Development
	> Evaluation System
	Employees at Daiwa Securities Group (Sustainability Data Edition 2023 Social Report) [PDF: 880KB]

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	> Gender pay gap (Sustainability Data Edition 2023 Social Report) [PDF: 880KB] 🔎	
	<ul> <li>Average Number of Years of Service (Sustainability Data Edition 2023 Social Report) [PDF: 880KB]</li> </ul>	
	> Employee Turnover Rate (Sustainability Data Edition 2023 Social Report) [PDF: 880KB] 🗼	
	> Working Hours and Paid Vacation Usage Rate (Sustainability Data Edition 2023 Social Report) [PDF: 880KB]	
Diversity & Inclusion	> Human Rights Policy	
	> Support for the Success of Senior Employees	
	> Number of Employees Re-hired after Retirement Age (Sustainability Data Edition 2023 Social Report) [PDF: 880KB]	
	> Employment of People with Disabilities	
	Percentage of Employees with Disabilities (Sustainability Data Edition 2023 Social Report) [PDF: 880KB]	
	> Promoting Diverse Work Styles (Work-Life Balance)	
> Encouraging Women to Succeed		
	> [Daiwa Capital Markets America Inc.] WORK FOR US > Culture 🗇	
> [Daiwa Capital Markets Europe Limited.] Equity, Diversity & Inclusion 🗇		
	> Promoting increased understanding toward the LGBT community and related issues	
	> Welfare Program Usage (Sustainability Data Edition 2023 Social Report) [PDF: 880KB] 🔺	
	Percentage of Employees Taking Childcare Leave and Other Related Data (Sustainability Data Edition 2023 Social Report) [PDF: 880KB]	
	> Various systems	
Employee Satisfaction	> Communication with Employees	
	> Engagement Survey (Sustainability Data Edition 2023 Social Report) [PDF: 880KB] 📕	
Internal Communication	> Active Use of In-House Magazine	
	> Communication among Employees	
	> Initiatives with Families	

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Labor-Management	> Relationship with Employee Unions	
Dialogue	Number of Employee Union Members (Sustainability Data Edition 2023 Social Report) [PDF: 880KB]	
Human Resource	> Approaches and Policy	
Development and Capability Development	> Education and Training System	
	> Supporting Employees Trying to Earn Credentials	
Human Rights	> Human Rights Policy	
	> Human Rights Education and Awareness System	
	> Initiatives in FY2022	
	> Supply Chain Management	
	> [Daiwa Capital Markets Europe Limited.] Modern Slavery Act 2015 🔲	
Health Management and Occupational Safety and Health	> Health Management	
Financial Education	> Financial Education and Research	
	> Daiwa Internet TV (Japanese) □	
Social Contribution	> Stakeholder Engagement	
Activities and Corporate	> Contribution through Foundations and NPOs	

	Health	
	Financial Education	> Financial Education and Research
		> Daiwa Internet TV (Japanese) 🔲
	Social Contribution	> Stakeholder Engagement
	Activities and Corporate Citizenship Activities	> Contribution through Foundations and NPOs
		> For Your Dreams - Daiwa Securities Group Children's Smile Project
		> Support for culture and the arts
	> Corporate Citizenship Initiatives	
		> [Daiwa Capital Markets America Inc.] Corporate Social Responsibility 🗍
		> [Daiwa Capital Markets Europe Limited.] Corporate Social Responsibility 🗇
		> Philanthropic Contributions (Sustainability Data Edition 2023 Social Report) [PDF: 880KB]

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Corporate Governance	> Basic Views on Corporate Governance
	> Corporate Governance Guidelines
	> Corporate Governance System
	> Board of Directors and Committees: Roles, Duties, Composition and Activities
	> Preventing Conflict-of-Interest Transactions between Group Companies
	> Performance -linked remuneration system for Directors and Corporate Executive Officers (Shikkoyaku)
	> Indicators for Performance-linked remuneration, reasons for choosing the indicators, how to determine Performance-linked remuneration, and targets and results (Japanese)
	> Internal Control System and Internal Audit
Corporate Governance Report[PDF:1,697KB]	
Tax Corporate Governance	> Daiwa Securities Group Tax Policy
Whistleblowing	> Structure and Achievements of Whistleblowing System (Corporate Ethics Hotline)
Risk Management	> Risk management system
	> Types of Risks to Be Managed / Managing Major Risks
	> Environmental and Social Policy Framework
	> Business Continuity Plan (BCP)
Supply Chain Management	> Supply Chain Management
	> [Daiwa Capital Markets Europe Limited.] Modern Slavery Act 2015 🔲
Compliance	> Compliance System
	> Full Implementation of "Customer-First"
	> Summary of the Management Policy for Conflict of Interest

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Prevention of Money	> Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)	
Laundering, etc.	Securing the Fairness and Transparency of the Market-Prevention of unfair transactions such as insider trading	
	> Basic Policy on Avoiding Involvement with Anti-Social Forces	
Anticorruption > Prevention of corruption / Anti-Corruption Policy		
	> Political contributions (Sustainability Data Edition 2023 Social Report) [PDF: 880KB]	
IT Governance Structure	> IT Organization and Structure	
Information Security	> Systems risk management	
	> IT investment	
	> Privacy Policy	
	> Information Security	
	Policy on Personal Information Protection and Security / Implementation of Risk Assessments and Audits Concerning Personal Information Protection	
	> Creation of Governance System Concerning Protection of Personal Information	
	> Training on Protection of Personal Information	
	> Policy on Incident Investigations and Responses	
Information Disclosure	> Disclosure Policy	

# **External Evaluation**

Third-Party Evaluations	> Third-Party Evaluations	
Independent Assurance	> Independent Assurance Report (Sustainability Data Edition 2023) [PDF: 880KB]	

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# Participation in Initiatives

Daiwa Securities Group has participated in, signed, and supports the initiatives described below to contribute to developing a sustainable society.

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# **Major Initiatives**

### The United Nations Global Compact (UNGC)

Daiwa Securities Group Inc. signed the UNGC in January 2010. We support the 10 principles in the areas of human rights, labour, environment and anti-corruption, and work to contribute to sustainable development in the international community.

> The Ten Principles of the UN Global Compact  $\Box$ 

### The United Nations-supported Principles for Responsible Investment (PRI)

Daiwa Asset Management became a signatory in May 2006. PRI is a set of six principles launched by the United Nations Environment Programme - Finance Initiative and the UN Global Compact. This initiative asks institutional investors to incorporate ESG into their investment decision making practices. Daiwa Securities Group will continue promoting responsible investment.

### Japan Sustainable Investment Forum (JSIF)

Daiwa Securities Group Inc. has been a member of the JSIF since its establishment in 2003 as Sustainable Investment Forum-Japan (SIF-Japan), and Daiwa Asset Management has been a member since August 2022. The Forum works to promote and advance ESG investment and other sustainable investment throughout Japan. We also support these activities in our capacity as a financial institution.

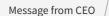


Signatory of:





Others



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#### Principles for Financial Action for the 21st Century

Based on the recommendations of the Central Environment Council of the Ministry of the Environment, this is an action guideline for financial institutions that was established with the aim of expanding the circle of environmental finance efforts.

The Principle was revised in June 2022. It asks the signatories' collaboration to address to various issues regarding environment, society, and economy. The Group has been actively involved since the drafting stage of this principle, Daiwa Securities Group Inc. and Daiwa Asset Management signed the principles in 2011, when they were established.

### Japan Impact-driven Financing Initiative 🗇

Daiwa Securities Group Inc. signed the "Japan Impact-driven Financing Initiative" as a comprehensive securities group for the first time in June 2023. This declaration is an initiative led by Japan Social Innovation and Investment Foundation to encourage domestic financial institutions that are committed to creating impact to work together and advance impact-oriented investments.

#### Japan Stewardship Initiative (JSI)

The JSI was established in 2019 with the aim of helping to deepen and advance stewardship activities. In March 2022, Daiwa Asset Management endorsed and became a participant in JSI's activities.



#### The OECD Guidelines for Multinational Enterprises

ISO26000 🗇

The Charter of Corporate Behavior of Keidanren (Japan Business Federation)

Japan's Stewardship Code ("Principles for Responsible Institutional Investors")



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# **Environmental initiatives**

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### United Nations Environment Programme - Finance Initiative (UNEP-FI)

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Daiwa Securities Group Inc. became a signatory in May 2018. In collaboration with financial institutions, policymakers, and regulatory authorities, UNEP-FI works to advance a shift to a financial system that takes economic development and ESG into consideration. As a financial institution, Daiwa Securities Group will promote collaboration in the international community to address environmental issues.

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## CDP 🗆

CDP is an initiative in which institutional investors interested in climate change, water, and forest related issues collaborate and require global companies to disclose information on their attitudes and approaches to environmental issues.

Daiwa Securities Group Inc. announced its support for the initiative in 2004.

# **Climate Change**

#### Task Force on Climate-related Financial Disclosures (TCFD)

This is a task force established by the Financial Stability Board (FSB) in 2015. TCFD asks companies to grasp and disclose information on the impact of climate change on finances during the course of a shift to a low-carbon economy. Daiwa Securities Group Inc. (April 2018), Daiwa Asset Management (December 2020), and Daiwa Real Estate Asset Management (December 2021) announced their support for TCFD. They also participate in the TCFD Consortium, which was established in May 2019 in Japan.

> Response to Climate Change (Disclosure Based on the TCFD Recommendations 2023)

### Partnership for Carbon Accounting Financials (PCAF)

PCAF was launched mainly by European financial institutions in 2015 with the aspiration to standardize the measurement and disclosure of financed emissions.

In December 2021, Daiwa Securities Group Inc. joined PCAF. Also, the Group joined the newly established PCAF Japan coalition launched by the Japanese financial institutions participating in the global, industry-led PCAF initiative.







TCFD CLIMATE-RELATED

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#### Net Zero Asset Managers initiative (NZAMi) 🗇

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Launched in December 2020, NZAMi is a global initiative by asset management companies that aims to achieve net zero greenhouse gas emissions from investee companies by 2050. In December 2021, Daiwa Asset Management became a signatory in support of this aim.

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## Green Transformation (GX) League Basic Concept 🗇

In March 2022, Daiwa Securities Group Inc. endorsed the GX League Basic Concept announced by the Ministry of Economy, Trade and Industry. The aims of the GX League are to enhance industrial competitiveness by recognizing the goal of carbon neutrality by 2050 as an opportunity for growth, and to achieve a virtuous cycle for the economy, environment, and society by getting groups of companies actively working on GX to collaborate with each other.

# Statement on Fiduciary Duty and Climate Change Disclosure 🗇

This statement on the disclosure of fiduciary duty and climate change information was jointly formulated by the Climate Disclosure Standards Board (CDSB) and the UNEP FI (United Nations Environment Programme Financial Initiative).

Its aim is to prompt companies to disclose climate change information in a comprehensive and comparable form in their annual reports and other disclosure materials. Daiwa Asset Management became a signatory in August 2014.

# Climate Action 100+

This international engagement initiative was established by investors in 2017 with the aim of encouraging greenhouse gas emissions reductions through collaborative engagement with companies with high emissions levels.

In August 2021, Daiwa Asset Management became a signatory in support of this initiative as an approach for reaching the targets of the Paris Agreement.

## Investor Agenda 🗇

This agenda was established in 2018 by a group of institutional investors. It has issued recommendations on how to accelerate climate change initiatives by institutional investors and national governments. Daiwa Asset Management became a signatory in August 2021.





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# Natural Capital and Biodiversity

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#### Taskforce on Nature-related Financial Disclosures (TNFD) Forum

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TNFD is an international initiative launched in June 2021 to develop and provide a framework for disclosing nature-related financial information. The TNFD Forum is a stakeholder organization that supports discussions on TNFD. In September 2022, Daiwa Securities Group Inc. and Daiwa Asset Management joined the TNFD Forum in support of TNFD's objectives.

## Keidanren Initiative for Biodiversity Conservation

In order to increase the depth of actions on biodiversity taken by the Japanese business community, Keidanren (Japan Business Federation) has declared its aim to "realize a sustainable society by building a society in harmony with nature" through "the Keidanren Declaration on Biodiversity and Action Guidelines(revised version)." Daiwa Securities Group Inc. supports this Declaration.

# **Green Finance**

### Registration System of Green Bond, etc. Issuance Supporters $\Box$

The Financial Support Programme for Green Bond Issuance, etc. implemented by the Ministry of the Environment subsidizes the external costs incurred other than the cost for the ordinary bond issuance procedure. It grants a subsidy to those who provide issuance support to green bond, etc. issuers (issuance supporters) for their issuance support costs. The Ministry has established a system for announcing the issuance supporters on the "Green Bond Platform."

The Group has been a registered supporter since the initiation of the system in 2018.

> Please refer to the Sustainable Finance page for further details.



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## Climate Bonds Partners Programme

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This is a program operated by Climate Bonds Initiative.\* The program is joined by Climate Bonds Partners, who support the development of green bonds that contribute to climate change responses and low-carbon investment.

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The Group joined the program in March 2020.

\* Climate Bonds Initiative (CBI):

CBI is an international NGO that promotes large-scale investment in a low-carbon economy. Aiming to use the \$100 trillion bond market to combat climate change, CBI has created the Climate Bond Standard (CBS) as a screening tool for investors and governments when they make low-carbon investments. It also provides periodic reports on the green bond market, policy models, and advice.

> Please refer to the Sustainable Finance page for further details.

# Human Capital

## Women's Empowerment Principles (WEPs)

The Women's Empowerment Principles (WEPs) are principles of action for actively promoting the empowerment of women, established by UNGC and UN Women in 2010. Daiwa Asset Management became a signatory in October 2022.

## 30% Club Japan 🗇

In May 2019, the Chairman of the Board and President and CEO of Daiwa Securities Group Inc. started to participate in the 30% Club Japan as members in support of its activities.

In May 2020, Daiwa Asset Management became a member of the 30% Club Japan Investor Group, and is promoting gender diversity and gender equality in every level of its organization through stewardship activities such as constructive dialogue with the companies in which it invests.

The 30% Club, established in the U.K. in 2010, is a worldwide campaign aimed at increasing the ratio of women in executive positions to promote the sustainable development of companies. It has been rolled out in 14 countries and regions including Japan, greatly contributing to a rise in the ratio of female executives.



In support of



**Climate Bonds** 

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#### Human Capital Management Consortium 🗇

Increasing attention is being paid to human capital management, which views human resources as "capital" and maximizes their value to improve corporate value over the medium to long term. In August 2022, Daiwa Securities Group Inc. and Daiwa Asset Management joined the Human Capital Management Consortium in support of its objectives. Recognizing that the source of the Group's competitiveness is its human resources, we will continue to actively promote initiatives related to human capital.

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## Advance 🗆

Advance is a collaborative stewardship initiative where institutional investors work together to take action on human rights and social issues. The Initiative has been coordinated by the PRI. In December 2022, Daiwa Asset Management endorsed and became a "Participant".

Universal Declaration of Human Rights

United Nations Guiding Principles on Business and Human Rights 🗇

Children's Rights and Business Principles

The eight fundamental conventions of the International Labour Organization 🗇

# Governance initiatives

## International Corporate Governance Network (ICGN) 🗇

Daiwa Asset Management joined the ICGN in April 2021. Established in 1995, ICGN's mission is to establish effective corporate governance and foster investor stewardship with the aim of promoting an efficient global market and sustainable economic activity.

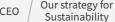
## Corporate Governance Code







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# **Third-Party Evaluations**

# Inclusion in ESG Indices (As of September, 2023)

MSCI Japan ESG Select Leaders Index □ 2023 CONSTITUENT MSCIジャパン ESGセレクト・リーダーズ指数	MSCI Japan ESG Select Leaders Index is a global ESG stock index comprised of Japanese companies selected by MSCI from different sectors on the basis of excellent ESG performance. It is adopted by GPIF as a core ESG benchmark for its passive investments. Daiwa Securities Group Inc. has been selected for two consecutive years since 2022.
MSCI Japan Empowering Women Index (WIN) つ 2023 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)	Developed by MSCI, MSCI Japan Empowering Women Index selects Japanese companies that promote and maintain gender diversity among the workforce. It is adopted by GPIF as a core ESG benchmark for its passive investments. Daiwa Securities Group Inc. has been selected for seven consecutive years since 2017.
MSCI ESG Leaders Indexes  MSCI ESG Leaders Indexes Constituent	The constituents of the world-class indexes are companies selected from various industries by MSCI as those excellent in ESG.
FTSE Blossom Japan Index Series         FTSE Blossom         Japan Index         FTSE Blossom         Japan Sector	<ul> <li>FTSE Blossom Japan Index is a socially responsible investment index developed by FTSE. It is comprised of Japanese enterprises that demonstrate strong ESG practices.</li> <li>It is adopted by Japan's Government Pension Investment Fund (GPIF) as a core ESG benchmark for its passive investments. Daiwa Securities Group Inc. has been included for seven consecutive years since 2017.</li> <li>Daiwa Securities Group Inc. has also been included in FTSE Blossom Japan</li> </ul>
Relative Index	Sector Relative Index, which has been newly added to GPIF's ESG benchmarks for its passive investments.
ETSE4Good Index	FTSE4Good Index is a socially responsible investment index developed by FTSE, a subsidiary of the London Stock Exchange. Daiwa Securities Group Inc. has been included for 18 consecutive years since 2006.

S&P/JPX Carbon Efficient Index S&P/JPX カーボン エフィシェント 指数	This index was developed by S&P Dow Jones Indices LLC and is composed of companies that are evaluated to be excellent in terms of the disclosure of environmental information and carbon efficiency (carbon emissions per unit of sales) among the companies that constitute the Tokyo Stock Price Index (TOPIX). It is adopted by the Government Pension Investment Fund (GPIF) as a core ESG benchmark for its passive investments, and Daiwa Securities Group Inc. has been included in the Index for five consecutive years since 2018, when the Index was launched.
Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDi J)	This index was developed by Morningstar by using the gender equality scores provided by Equileap and is composed of companies excellent in terms of gender diversity. It was newly adopted by the Government Pension Investment Fund (GPIF) as a core ESG benchmark for its passive investments.
Dow Jones Sustainability Indices	Dow Jones Sustainability Indices are sustainability equity indices selected by S&P Global. Daiwa Securities Group Inc. has been included in DJSI World Index and/or DJSI Asia Pacific Index since it launched in 1999. In 2023, we were selected as a component of DJSI Asia Pacific Index.
Bloomberg Gender-Equality Index	Bloomberg Gender-Equality Index is an index that consists of companies that actively disclose their efforts towards gender equality through policy development, disclosure, and transparency.

\*THE INCLUSION OF Daiwa Securities Group Inc. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Daiwa Securities Group Inc. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

\*Morningstar, Inc., and/or one of its affiliated companies (individually and collectively, "Morningstar") has authorized Daiwa Securities Group Inc. to use of the Morningstar Japan ex-REIT Gender Diversity Tilt Logo ("Logo") to reflect the fact that, for the designated ranking year, Daiwa Securities Group Inc. ranks in the top quintile of companies comprising the Morningstar<sup>®</sup> Japan ex-REIT Gender Diversity Tilt Index<sup>SM</sup> ("Index") on the issue of gender diversity in the workplace. Morningstar is making the Logo available for use by Daiwa Securities Group Inc. solely for informational purposes. Daiwa Securities Group Inc. use of the Logo should not be construed as an endorsement by Morningstar of Daiwa Securities Group Inc. or as a recommendation, offer or solicitation to purchase, sell or underwrite any security associated with Daiwa Securities Group Inc. The Index is designed to reflect gender diversity in the workplace in Japan, but Morningstar does not guarantee the accuracy, completeness or timeliness of the Index or any data included in it. Morningstar makes no express or implied warranties regarding the Index or the Logo, and expressly disclaim all warranties of merchantability or fitness for a particular purpose or use with respect to the Index, any data included in it or the Logo. Without limiting any of the foregoing, in no event shall Morningstar or any of its third party content providers have any liability for any damages (whether direct or indirect), arising from any party's use or reliance on the Index or the Logo, even if Morningstar is notified of the possibility of such damages. The Morningstar name, Index name and the Logo are the trademarks or services marks of Morningstar, Inc. Past performance is no guarantee of future results.

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# ESG Ratings (As of December, 2022)

MSCIESG Ratings	MSCI ESG Ratings assess companies' resilience to ESG risks. Daiwa Securities Group Inc. received the highest rating "AAA" for the first time (seven levels from AAA to CCC).
	CDP is an international non-profit organization that requests world's companies to disclose information on climate change and evaluate their performance. In 2022, Daiwa Securities Group Inc. has been named to CDP's highest rating "A List", recognizing the company as a global leader on climate change initiatives for the first time (eight levels from A to D-).

\*THE USE BY Daiwa Securities Group Inc. OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF Daiwa Securities Group Inc. BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

# Awards and Recognition (As of April, 2023)



Daiwa Securities Group was recognized as a 2021 Supplier Engagement Leader, the highest rating in the Supplier Engagement Rating by CDP. The Supplier Engagement Rating is designed to evaluate companies' supply chain engagement practices on climate issues. Message from CEO

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Environmentally Sustainable Company in the Environmentally Sustainable Company Category of the 4th ESG Finance Awards Japan



ESG Finance Awards Japan, sponsored by the Ministry of the Environment, recognizes financial institutions, companies, and other organizations that have made an impact by actively engaging in ESG finance, or environmental / social projects.

Daiwa Securities Group Inc. was selected for the second year in a row as an Environmentally Sustainable Company that meets certain criteria for disclosure of material environmental issues, based on evaluation criteria such as risks, business opportunities, strategies, KPIs, and governance.

Governor's Special Prize for Green Finance in the ESG Investment Category of Tokyo Financial Award 2021



"Weekly Toyo Keizai" SDG Corporate Ranking ranked 3rd

Nadeshiko Brand



Tokyo Financial Award, sponsored by the Tokyo Metropolitan Government, recognizes financial companies that develop and provide innovative financial products and services that meet the needs of citizens in Tokyo and contribute to solving issues, or that work to spread ESG investment. Daiwa Asset Management's efforts toward the spread of new investment aimed at carbon neutrality through its CANDRIAM Decarbonization Technology Fund (nickname: Carbon ZERO) received an award in the ESG investment category. Daiwa Asset Management also won the Governor's Special Prize for Green Finance as an excellent company from the perspective of green finance.

Daiwa Securities Group Inc. was ranked 3rd in the overall ranking in the SDG rankings of 500 companies announced in Weekly Toyo Keizai (July 30 issue) based on the evaluations of human resource usage, environmental activities, social contributions, and corporate governance.

Daiwa Securities Group Inc. has been selected as a Nadeshiko Brand for eight consecutive years from 2015 to 2022. The Nadeshiko Brand is an initiative jointly organized by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to recognize listed companies that excel in promoting women's advancement.

We established a broad regional career-track system that allows employees to be relocated within a certain area. In addition, ANSWERS, an internal online channel through which employees share their difficulties and get support, was also introduced. By supporting career advancement and offering a wide range of career options for female employees, we are working to build a workplace where all employees can continue to work energetically.

ightarrow Nadeshiko Brand (Ministry of Economy, Trade and Industry website)  $\ \square$ 

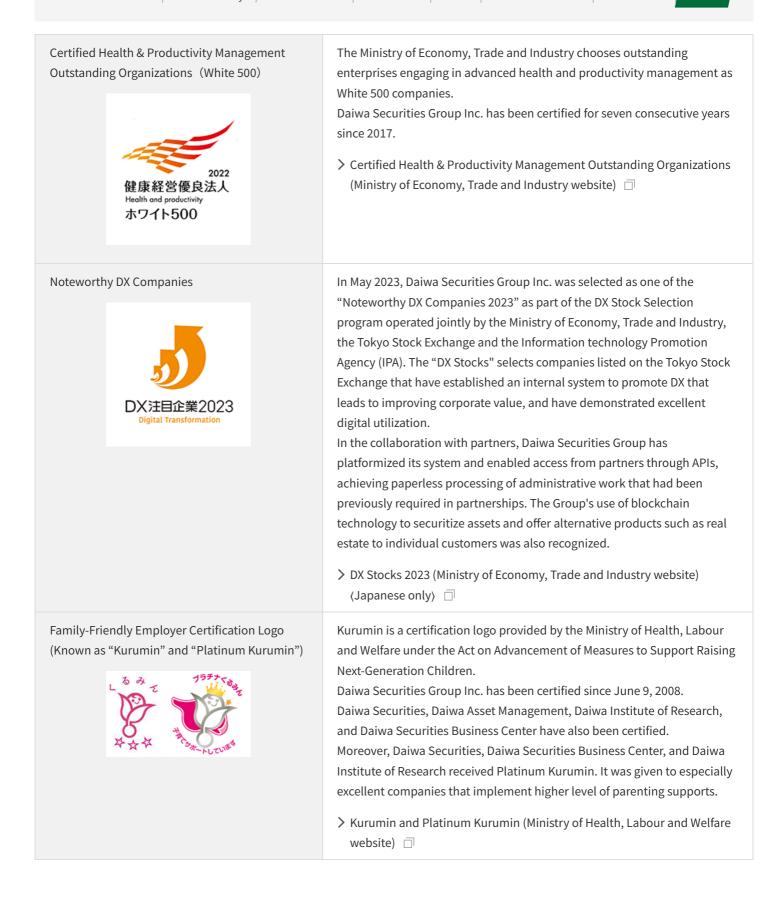
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Logo for Promoting Work Environment for Balancing Work and Long-Term Care (Known as "Tomonin")	<ul> <li>Daiwa Securities Group has obtained Tomonin from the Ministry of Health, Labour and Welfare for our efforts in establishing a work environment where employees can pursue their careers while balancing work and nursing care.</li> <li>&gt; Tomonin (Ministry of Health, Labour and Welfare website) (Japanese only) □</li> </ul>
Analyst Rankings of "Nikkei Veritas" and "Institutional Investor"	<ul> <li>"Nikkei Veritas" Analyst Ranking</li> <li>Nikkei Veritas Analyst Ranking is one of Japan's most recognized rankings with a history of over 30 years. It is determined based on the votes of institutional investors in Japan.</li> <li>In 2023, Daiwa Securities earned 1st in the Nikkei Veritas Analyst Ranking by company for the fifth year in a row.</li> <li>"Institutional Investor" All-Japan Research Team Survey</li> <li>Institutional Investor All-Japan Research Team Survey is one of the world's most well-known surveys. It is determined based on the votes of primarily</li> </ul>
	foreign institutional investors. In 2023, Daiwa Securities earned 1st in Institutional Investor All-Japan Research Team Survey for the fourth year in a row. <u>Click here</u> for details

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#### **GRESB Real Estate Assessment**



HDI-Japan's 2022 HDI Rating Benchmarks (Securities Industry) Daiwa Office Investment Corporation and Daiwa Securities Living Investment Corporation continuously participate in the GRESB Real Estate Assessment, a global ESG assessment of real estate companies and funds. In the 2022 Assessment, each investment corporation obtained a "Green Star" rating recognizing outstanding achievement in both the Management Component, which evaluates policies, organizational systems, etc. for promoting ESG, and the Performance Component, which evaluates environmental performance, initiatives with tenants, etc., at buildings in the portfolio.

#### Daiwa Office Investment Corporation

Daiwa Office Investment Corporation earned the top rating of "5 Stars" in the GRESB Rating for the first time, which assigns a rating out of five stars based on where the participant's overall score ranks globally. Moreover, in the GRESB Public Disclosure Assessment, which measures the comprehensiveness of ESG information disclosure, the company received the top rating of "A" on the five-tiered evaluation scale for the second year in a row.

#### Daiwa Securities Living Investment Corporation

Daiwa Securities Living Investment Corporation received a rating of "2 Stars" in the GRESB Real Estate, as well as a rating of "A" in the GRESB Public Disclosure Assessment for the first time for the investment corporation.

- > Daiwa Office Investment Corporation "Participation in External Assessments"
- Daiwa Securities Living Investment Corporation "Acquisition of External Assessments/Certifications"

Received the highest Three Star rating in both the "Customer Service" and "Support Portal" categories of HDI-Japan's Rating Benchmark 2022 (Securities Industry). Our strategy for Sustainability

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# ISO Certification (As of May, 2023)

ISO14001	Daiwa Institute of Research has received ISO 14001 certification, an international standard for environmental management systems. Through its business activities, the firm endeavors to realize a harmonious relationship with the global environment, and actively works to reduce the environmental load. Business site: Daiwa Eitai Building Office Scope: All business activities involved in system consulting and system integration by Daiwa Institute of Research
ISO/IEC20000	Daiwa Institute of Research (Systems Management Division) has received ISO 20000 certification, an international standard for IT service management systems. To provide customers with a high-quality IT service in a stable manner, the firm engages in enhancement of IT services quality, cost management, business optimization, and continual improvements.
ISO/IEC27001	Daiwa Institute of Research (Systems Management Division) has received ISO 27001 certification, an international standard for information security management systems. To maintain and manage the confidentiality, integrity, and availability of its information assets, the firm is working on improvement of the information security.
ISO/IEC27017	Daiwa Institute of Research (Systems Management Division) has received ISO 27017 certification, an international standard for information security in relation to cloud services. As an add-on certification to ISO 27001, ISO 27017 deals with information security specific to cloud services.
ISO9001	Daiwa Institute of Research (Enterprise System Department (1)) has received ISO 9001 certification, an international standard for quality management systems. (Scope: Design and development of application software based on customer requirements)

> ISO 🗇

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# **GRI content index**

Statement of use	Daiwa Securities Group Inc. has reported in reference to the GRI Standards for the period from 1 April 2022 to 31 March 2023.
GRI 1 used	GRI 1: Foundation 2021

# **GRI 2: General Disclosures 2021**

	DISCLOSURE	Applicable web page
2-1	Organizational details	<ul> <li>Corporate Profile</li> <li>About Daiwa Securities Group &gt; Global Network</li> </ul>
2-2	Entities included in the organization's sustainability reporting	<ul> <li>&gt; Securities Reports (Japanese only)</li> <li>&gt; About Daiwa Securities Group &gt; Global Network</li> </ul>
2-3	Reporting period, frequency and contact point	> Sustainability > Editorial Policy
2-4	Restatements of information	Not Applicable
2-5	External assurance	> Sustainability Data Edition
2-6	Activities, value chain and other business relationships	<ul> <li>&gt; Securities Reports (Japanese only)</li> <li>&gt; About Daiwa Securities Group &gt; Management Policy &gt; Daiwa Securities Group Management Policy FY2023 - Passion for the Best -</li> <li>&gt; Sustainability &gt; Social &gt; Supply Chain Management</li> <li>&gt; Sustainability &gt; Sustainability in Our Business &gt; Role and Social Responsibilities of the Securities Business</li> </ul>
2-7	Employees	> Securities Reports (Japanese only)
2-8	Workers who are not employees	-
2-9	Governance structure and composition	Sustainability > Governance > Corporate Governance

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	DISCLOSURE	Applicable web page
2- 10	Nomination and selection of the highest governance body	Sustainability > Governance > Corporate Governance
2- 11	Chair of the highest governance body	Sustainability > Governance > Corporate Governance
2- 12	Role of the highest governance body in overseeing the management of impacts	<ul> <li>&gt; Sustainability &gt; Our strategy for Sustainability &gt; Stakeholder Engagement</li> <li>&gt; Sustainability &gt; Our strategy for Sustainability &gt; Sustainability Management &gt; Materiality</li> <li>&gt; Sustainability &gt; Our strategy for Sustainability &gt; Sustainability Management &gt; Sustainability Promotion Structure</li> <li>&gt; Sustainability &gt; Governance &gt; Risk Management</li> </ul>
2- 13	Delegation of responsibility for managing impacts	Sustainability > Our strategy for Sustainability > Sustainability Management > Sustainability Promotion Structure
2- 14	Role of the highest governance body in sustainability reporting	Sustainability > Our strategy for Sustainability > Sustainability Management > Sustainability Promotion Structure
2- 15	Conflicts of interest	<ul> <li>&gt; Sustainability &gt; Governance &gt; Corporate Governance</li> <li>&gt; About Daiwa Securities Group &gt; Group Management System</li> <li>&gt; Summary of the Management Policy for Conflict of Interest</li> </ul>
2- 16	Communication of critical concerns	Sustainability > Governance > Compliance > Compliance System > Structure and Achievements of Whistleblowing System (Corporate Ethics Hotline)
2- 17	Collective knowledge of the highest governance body	<ul> <li>&gt; Sustainability &gt; Our strategy for Sustainability</li> <li>&gt; About Daiwa Securities Group &gt; Management Policy &gt; Daiwa Securities Group Management Policy FY2023 - Passion for the Best -</li> </ul>
2- 18	Evaluation of the performance of the highest governance body	> Sustainability > Governance > Corporate Governance
2- 19	Remuneration policies	Sustainability > Governance > Corporate Governance
2- 20	Process to determine remuneration	Sustainability > Governance > Corporate Governance
2- 21	Annual total compensation ratio	-



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	DISCLOSURE	Applicable web page
2- 22	Statement on sustainable development strategy	<ul> <li>Message from CEO</li> <li>Why Daiwa Securities Group is Working to Support Children</li> </ul>
2- 23	Policy commitments	<ul> <li>&gt; Message from CEO</li> <li>&gt; About Daiwa Securities Group &gt; Management Policy</li> <li>&gt; Sustainability &gt; Our strategy for Sustainability &gt; Statements</li> <li>&gt; Sustainability &gt; Social &gt; Respect for Human Rights</li> </ul>
2- 24	Embedding policy commitments	<ul> <li>&gt; Sustainability &gt; Our strategy for Sustainability &gt; Sustainability Management</li> <li>&gt; Sustainability &gt; Social &gt; Respect for Human Rights</li> </ul>
2- 25	Processes to remediate negative impacts	<ul> <li>&gt; Sustainability &gt; Governance &gt; Compliance &gt; Compliance System &gt; Structure and Achievements of Whistleblowing System (Corporate Ethics Hotline)</li> <li>&gt; Sustainability &gt; Governance &gt; Risk Management</li> </ul>
2- 26	Mechanisms for seeking advice and raising concerns	Sustainability > Governance > Compliance > Compliance System > Structure and Achievements of Whistleblowing System (Corporate Ethics Hotline)
2- 27	Compliance with laws and regulations	<ul> <li>&gt; Sustainability &gt; Environment &gt; Environmental Management</li> <li>&gt; Sustainability &gt; Governance &gt; Compliance</li> </ul>
2- 28	Membership associations	Sustainability > Participation in Initiatives
2- 29	Approach to stakeholder engagement	Sustainability > Our strategy for Sustainability > Stakeholder Engagement
2- 30	Collective bargaining agreements	<ul> <li>&gt; Sustainability &gt; Social &gt; Initiatives for Human Capital &gt; Communication with Employees</li> <li>&gt; Sustainability Data Edition</li> </ul>

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# **GRI 3: Material Topics 2021**

	DISCLOSURE	Applicable web page
3-1	Process to determine material topics	Sustainability > Our strategy for Sustainability > Sustainability Management > Materiality
3-2	List of material topics	Sustainability > Our strategy for Sustainability > Sustainability Management > Materiality
3-3	Management of material topics	Sustainability > Our strategy for Sustainability > Sustainability Management > Materiality

# Economy

### GRI 201: Economic Performance 2016

	DISCLOSURE	Applicable web page
201- 1	Direct economic value generated and distributed	> Disclosure Report 2023 (Japanese only) 🕑
201- 2	Financial implications and other risks and opportunities due to climate change	<ul> <li>&gt; Sustainability &gt; Environment &gt; Initiatives for Environmental Load Reduction</li> <li>&gt; Sustainability &gt; Environment &gt; Response to Climate Change (Disclosure Based on the TCFD Recommendations 2023)</li> </ul>
201- 3	Defined benefit plan obligations and other retirement plans	> Disclosure Report 2023 (Japanese only)
201- 4	Financial assistance received from government	Impact is insignificant

#### GRI 202: Market Presence 2016

	DISCLOSURE	Applicable web page
202- 1	Ratios of standard entry level wage by gender compared to local minimum wage	Impact is insignificant, due to the nature of our business
202- 2	Proportion of senior management hired from the local community	-

#### GRI 203: Indirect Economic Impacts 2016

	DISCLOSURE	Applicable web page
	203- Infrastructure investments and 1 services supported	Sustainability > Sustainability in Our Business > Support for Asset Building
		Sustainability > Sustainability in Our Business > Sustainability-Fueled Business Expansion
		Sustainability > Social Contribution Activities > Contribution through Foundations and NPOs
		> Sustainability > Sustainability in Our Business > Sustainable Finance
		Sustainability > Social Contribution Activities > Corporate Citizenship Initiatives
203- 2	Significant indirect economic impacts	Not Applicable

#### GRI 204: Procurement Practices 2016

	DISCLOSURE	Applicable web page
204- 1	Proportion of spending on local suppliers	Impact is insignificant, due to the nature of our business



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### GRI 205: Anti-corruption 2016

	DISCLOSURE	Applicable web page
205- 1	Operations assessed for risks related to corruption	<ul> <li>&gt; Sustainability &gt; Governance &gt; Prevention of corruption</li> <li>&gt; Sustainability &gt; Governance &gt; Risk Management</li> </ul>
205- 2	Communication and training about anti-corruption policies and procedures	Sustainability > Governance > Prevention of corruption
205- 3	Confirmed incidents of corruption and actions taken	Not Applicable

### GRI 206: Anti-competitive Behavior 2016

	DISCLOSURE	Applicable web page
206- 1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Not Applicable

#### GRI 207: Tax 2019

	DISCLOSURE	Applicable web page
207- 1	Approach to tax	<ul> <li>Sustainability &gt; Governance &gt; Tax Policy</li> <li>Sustainability &gt; Governance &gt; Risk Management</li> </ul>
207- 2	Tax governance, control, and risk management	<ul> <li>&gt; Sustainability &gt; Governance &gt; Tax Policy</li> <li>&gt; Sustainability &gt; Governance &gt; Risk Management</li> </ul>
207- 3	Stakeholder engagement and management of concerns related to tax	<ul> <li>&gt; Sustainability &gt; Governance &gt; Tax Policy</li> <li>&gt; Sustainability &gt; Our strategy for Sustainability &gt; Stakeholder Engagement</li> </ul>
207- 4	Country-by-country reporting	Sustainability > Governance > Tax Policy

# Environment

# GRI 301: Materials 2016

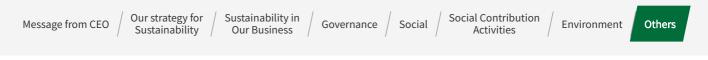
	DISCLOSURE	Applicable web page
301- 1	Materials used by weight or volume	Not Applicable
301- 2	Recycled input materials used	Not Applicable
301- 3	Reclaimed products and their packaging materials	Not Applicable

# GRI 302: Energy 2016

	DISCLOSURE	Applicable web page
302- 1	Energy consumption within the organization	> Sustainability Data Edition
302- 2	Energy consumption outside of the organization	> Sustainability Data Edition
302- 3	Energy intensity	> Sustainability Data Edition
302- 4	Reduction of energy consumption	> Sustainability Data Edition
302- 5	Reductions in energy requirements of products and services	> Sustainability Data Edition

## GRI 303: Water and Effluents 2018

	DISCLOSURE	Applicable web page
303- 1	Interactions with water as a shared resource	Impact is insignificant, due to the nature of our business



	DISCLOSURE	Applicable web page
303- 2	Management of water discharge- related impacts	Impact is insignificant, due to the nature of our business
303- 3	Water withdrawal	> Sustainability Data Edition
303- 4	Water discharge	-
303- 5	Water consumption	-

# GRI 304: Biodiversity 2016

	DISCLOSURE	Applicable web page
304- 1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not Applicable
304- 2	Significant impacts of activities, products and services on biodiversity	Not Applicable
304- 3	Habitats protected or restored	Not Applicable
304- 4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not Applicable

#### GRI 305: Emissions 2016

	DISCLOSURE	Applicable web page
305- 1	Direct (Scope 1) GHG emissions	> Sustainability Data Edition
305- 2	Energy indirect (Scope 2) GHG emissions	> Sustainability Data Edition



	DISCLOSURE	Applicable web page
305- 3	Other indirect (Scope 3) GHG emissions	> Sustainability Data Edition
305- 4	GHG emissions intensity	> Sustainability Data Edition
305- 5	Reduction of GHG emissions	> Sustainability Data Edition
305- 6	Emissions of ozone-depleting substances (ODS)	Impact is insignificant, due to the nature of our business
305- 7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Impact is insignificant, due to the nature of our business

#### GRI 306: Waste 2020

	DISCLOSURE	Applicable web page
306- 1	Waste generation and significant waste-related impacts	Impact is insignificant, due to the nature of our business
306- 2	Management of significant waste- related impacts	Not Applicable
306- 3	Waste generated	> Sustainability Data Edition
306- 4	Waste diverted from disposal	Not Applicable
306- 5	Waste directed to disposal	Not Applicable

## GRI 308: Supplier Environmental Assessment 2016

	DISCLOSURE	Applicable web page
308- 1	New suppliers that were screened using environmental criteria	Not Applicable

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	DISCLOSURE	Applicable web page
308-	Negative environmental impacts in the	Not Applicable
2	supply chain and actions taken	

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## GRI 401: Employment 2016

	DISCLOSURE	Applicable web page
401- 1	New employee hires and employee turnover	> Sustainability Data Edition
401- 2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability > Social > Initiatives for Human Capital > Diversity and Inclusion
401- 3	Parental leave	> Sustainability Data Edition

## GRI 402: Labor/Management Relations 2016

	DISCLOSURE	Applicable web page
402- 1	Minimum notice periods regarding operational changes	-

### GRI 403: Occupational Health and Safety 2018

DISCLOSURE		Applicable web page
403- 1	Occupational health and safety management system	<ul> <li>&gt; Sustainability &gt; Social &gt; Initiatives for Human Capital &gt; Diversity and Inclusion</li> <li>&gt; Sustainability &gt; Social &gt; Initiatives for Human Capital &gt; Health Management</li> </ul>



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	DISCLOSURE	Applicable web page
403- 2	Hazard identification, risk assessment, and incident investigation	-
403- 3	Occupational health services	<ul> <li>&gt; Sustainability &gt; Social &gt; Initiatives for Human Capital &gt; Diversity and Inclusion</li> <li>&gt; Sustainability &gt; Social &gt; Initiatives for Human Capital &gt; Health Management</li> </ul>
403- 4	Worker participation, consultation, and communication on occupational health and safety	<ul> <li>&gt; Sustainability &gt; Social &gt; Initiatives for Human Capital &gt; Diversity and Inclusion</li> <li>&gt; Sustainability &gt; Social &gt; Initiatives for Human Capital &gt; Health Management</li> <li>&gt; Sustainability &gt; Social &gt; Initiatives for Human Capital &gt; Communication with Employees</li> </ul>
403- 5	Worker training on occupational health and safety	Sustainability > Social > Initiatives for Human Capital > Health Management
403- 6	Promotion of worker health	<ul> <li>&gt; Sustainability &gt; Social &gt; Initiatives for Human Capital &gt; Diversity and Inclusion</li> <li>&gt; Sustainability &gt; Social &gt; Initiatives for Human Capital &gt; Health Management</li> </ul>
403- 7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	-
403- 8	Workers covered by an occupational health and safety management system	-
403- 9	Work-related injuries	-
403- 10	Work-related ill health	-

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### GRI 404: Training and Education 2016

	DISCLOSURE	Applicable web page
404- 1	Average hours of training per year per employee	Sustainability > Social > Initiatives for Human Capital > Human Resource Development and Skill Enhancement
404- 2	Programs for upgrading employee skills and transition assistance programs	Sustainability > Social > Initiatives for Human Capital > Human Resource Development and Skill Enhancement
404- 3	Percentage of employees receiving regular performance and career development reviews	-

#### GRI 405: Diversity and Equal Opportunity 2016

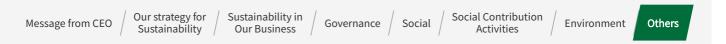
	DISCLOSURE	Applicable web page
405- 1	Diversity of governance bodies and employees	> Sustainability Data Edition
405- 2	Ratio of basic salary and remuneration of women to men	> Sustainability Data Edition

### GRI 406: Non-discrimination 2016

	DISCLOSURE	Applicable web page
406- 1	Incidents of discrimination and corrective actions taken	<ul> <li>&gt; Sustainability &gt; Social &gt; Respect for Human Rights</li> <li>&gt; Sustainability &gt; Governance &gt; Risk Management</li> </ul>

## GRI 407: Freedom of Association and Collective Bargaining 2016

	DISCLOSURE	Applicable web page
407- 1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Not Applicable, due to the nature of our business



#### GRI 408: Child Labor 2016

	DISCLOSURE	Applicable web page
408- 1	Operations and suppliers at significant risk for incidents of child labor	Not Applicable, due to the nature of our business

### GRI 409: Forced or Compulsory Labor 2016

	DISCLOSURE	Applicable web page
409- 1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Not Applicable, due to the nature of our business

#### GRI 410: Security Practices 2016

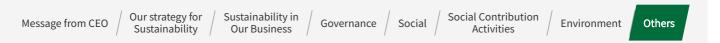
	DISCLOSURE	Applicable web page
410- 1	Security personnel trained in human rights policies or procedures	Impact is insignificant, due to the nature of our business

## GRI 411: Rights of Indigenous Peoples 2016

DISCLOSURE		Applicable web page		
411- 1	Incidents of violations involving rights of indigenous peoples	Not Applicable, due to the nature of our business		

#### GRI 413: Local Communities 2016

	DISCLOSURE	Applicable web page		
413- 1	Operations with local community engagement, impact assessments, and development programs	Impact is insignificant, due to the nature of our business		
413- 2	Operations with significant actual and potential negative impacts on local communities	Impact is insignificant, due to the nature of our business		



#### GRI 414: Supplier Social Assessment 2016

	DISCLOSURE	Applicable web page		
414- 1	New suppliers that were screened using social criteria	Not Applicable		
414- 2	Negative social impacts in the supply chain and actions taken	Not Applicable		

### GRI 415: Public Policy 2016

DISCLOSURE		Applicable web page		
415- 1	Political contributions	> Sustainability Data Edition		

#### GRI 416: Customer Health and Safety 2016

	DISCLOSURE	Applicable web page	
416- 1	Assessment of the health and safety impacts of product and service categories	Not Applicable, due to the nature of our business	
416- 2	Incidents of non-compliance concerning the health and safety impacts of products and services	Not Applicable, due to the nature of our business	

### GRI 417: Marketing and Labeling 2016

	DISCLOSURE	Applicable web page		
417- 1	Requirements for product and service information and labeling	Sustainability > Social > Initiatives for Customer-First Services		
417- 2	Incidents of non-compliance concerning product and service information and labeling	Not Applicable		

Mes	Message from CEO       Our strategy for Sustainability       Sustainability in Our Business       Governance       Social       Social Contribution Activities       Environment       Others					
	DISCLOSURE	Applicable web page				
417- 3	Incidents of non-compliance concerning marketing communications	Not Applicable				

# GRI 418: Customer Privacy 2016

	DISCLOSURE	Applicable web page		
418- 1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Not Applicable		

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# SASB Index

# Sustainability Disclosure Topics & Metrics

### **Employee Diversity & Inclusion**

METRIC	CATEGORY	UNIT OF MEASURE	CODE	Applicable web page
Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees*1	Quantitative	Percentage (%)	FN-IB- 330a.1	> Sustainability Data Edition P.10 🖪

\*1. The entity shall describe its policies and programs for fostering equitable employee representation across its global operations.

#### Incorporation of Environmental, Social, and Governance Factors in Investment Banking & Brokerage Activities

METRIC	CATEGORY	UNIT OF MEASURE	CODE	Applicable web page
Revenue from (1) underwriting, (2) advisory and (3) securitisation transactions incorporating integration of environmental, social and governance (ESG) factors, by industry	Quantitative	Presentation currency	FN-IB- 410a.1	<ul> <li>&gt; Sustainability Data Edition P.19-20</li> <li>&gt; Sustainability &gt; Sustainability in Our Business &gt; Support for Asset Building &gt; Products offered to pursue shared value</li> </ul>



#### **Business Ethics**

METRIC	CATEGORY	UNIT OF MEASURE	CODE	Applicable web page
Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations <sup>*</sup> 2	Quantitative	Presentation currency	FN-IB- 510a.1	
Description of whistleblower policies and procedures	Discussion and Analysis	n/a	FN-IB- 510a.2	<ul> <li>Sustainability &gt; Governance &gt; Compliance &gt; Compliance System &gt; Structure and Achievements of Whistleblowing System (Corporate Ethics Hotline)</li> </ul>

\*2. The entity shall briefly describe the nature, context, and any corrective actions taken as a result of the monetary losses.

Message from CEO	Our strategy for Sustainability	Sustainability in Our Business	Governance	Social	Social Contribution Activities	Environment	Others

### **Professional Integrity**

METRIC	CATEGORY	UNIT OF MEASURE	CODE	Applicable web page
(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer- initiated complaints, private civil litigations, or other regulatory proceedings*3	Quantitative	Number, Percentage (%)	FN-IB- 510b.1	
Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party	Quantitative	Number	FN-IB- 510b.2	
Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care*4	Quantitative	Presentation currency	FN-IB- 510b.3	
Description of approach to ensuring professional integrity, including duty of care	Discussion and Analysis	n/a	FN-IB- 510b.4	Sustainability > Governance > Compliance > Compliance System

\*3. The entity shall describe how it ensures that covered employees file and update FINRA and SEC forms in a timely manner.

\*4. The entity shall briefly describe the nature, context, and any corrective actions taken as a result of the monetary losses.

### Systemic Risk Management

METRIC	CATEGORY	UNIT OF MEASURE	CODE	Applicable web page
Global Systemically Important Bank (G-SIB) score, by category*5	Quantitative	Basis points (bps)	FN-IB- 550a.1	Annual Report > Situation of Soundness in Management > Key Indicators (Japanese only)



\*5. The entity shall describe whether the Global Systemically Important Bank (G-SIB) score is calculated by the entity or obtained from regulatory authorities and whether the entity is required to report the underlying data to the regulators.

#### **Employee Incentives & Risk Taking**

activities

METRIC	CATEGORY	UNIT OF MEASURE	CODE	Applicable web page
Percentage of total remuneration that is variable for Material Risk Takers (MRTs)*6	Quantitative	Percentage (%)	FN-IB- 550b.1	
Percentage of variable remuneration of Material Risk Takers (MRTs) to which malus or clawback provisions were applied*7	Quantitative	Percentage (%)	FN-IB- 550b.2	
Discussion of policies around supervision, control, and validation of traders' pricing of Level 3 assets and liabilities	Discussion and Analysis	n/a	FN-IB- 550b.3	

\*6. The entity shall discuss its remuneration policies for Material Risk Takers (MRTs).

\*7. The entity shall discuss whether its initial ex-ante adjustments were sufficient in risk mitigation.

# **Activity Metrics**

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE	Applicable web page
<ul> <li>(1) Number and (2) value of</li> <li>(a) underwriting, (b)</li> <li>advisory, and (c)</li> <li>securitisation</li> <li>transactions*8</li> </ul>	Quantitative	Number, Presentation currency	FN-IB- 000.A	Sustainability Data Edition P.25-26
(1) Number and (2) value of proprietary investments and loans by sector*9	Quantitative	Number, Presentation currency	FN-IB- 000.B	
<ul> <li>(1) Number and (2) value of market making transactions in (a) fixed income, (b) equity, (c) currency, (d) derivatives, and € commodity products</li> </ul>	Quantitative	Number, Presentation currency	FN-IB- 000.C	

\*8. For syndicate transactions, the entity shall include only the value for which it was accountable.

\*9. The entity shall use the Global Industry Classification Standard (GICS) for classifying investees and borrowers.

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Message	from CEO	
MCSSuger		

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# **Editorial Policy**

Daiwa Securities Group discloses sustainability information related to its business and other activities on the Sustainability pages of the company's website, and posts updated information as required.

We also release the Sustainability Data Edition (formerly SDGs Data Edition) (a compilation of quantitative data), the Sustainability Report (formerly SDGs Report) (a PDF version of the information posted as of September 30 each year, for printing and archival purposes), and the Sustainability Booklet (formerly SDGs Booklet) (a digest version of the report). These documents and their back numbers can be found on <u>Sustainability Library</u>.

Intended Readership	This report is intended for the broad range of Daiwa Securities Group stakeholders defined by ISO 26000, including customers, shareholders and investors, employees, business partners, and local communities.
Reporting Boundary	This report generally discusses the principal companies of Daiwa Securities Group. It does not, however, include all data from the Group's principal companies on items reported. The information is selected based on the respective companies' size and type of business. Each set of data specifies the scope of coverage. The term "Daiwa Securities Group" refers to our entire group, while the terms "Daiwa Securities Group Inc." and "Daiwa Securities" refer to Daiwa Securities Group Inc. and Daiwa Securities Co. Ltd., respectively.
Period Covered by Report	FY2022 (April 1, 2022, to March 31, 2023) The report, however, also includes some information on events and activities carried out prior to the beginning of or after the end of FY2020, or scheduled to take place during FY2022.
Inquiries	Sustainability Promotion Office, Corporate Planning Department, Daiwa Securities Group Inc.
Tel	+81-3-5555-1111(Main)
E-mail	<u>daiwa_sustainability@daiwa.co.jp</u>
URL	https://www.daiwa-grp.jp/english/sustainability/
Reference Guidelines	GRI Standards 2021 ISO 26000: Guidance on social responsibility SASB Standards (SASB: Sustainability Accounting Standards Board) Environmental Reporting Guidelines 2018 and Environmental Accounting Guidelines 2005, Ministry of the Environment, Japan

#### For Deeper Understanding of Corporate Activities of Daiwa Securities Group

At Daiwa Securities Group, we issue an Integrated Report, referring to the International Integrated Reporting Framework published by the IFRS Foundation and the Guidance for Collaborative Value Creation of the Ministry of Economy, Trade and Industry. The Integrated

Our strategy for Message from CEO Sustainability

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Social

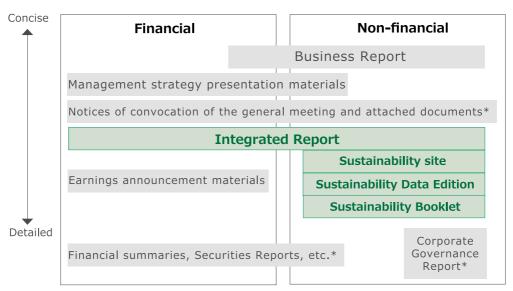
Social Contribution Environment Activities

Others

Report is aimed at communicating the Group's history and current and future value creation activities to our stakeholders in an easyto-understand way, and we select important matters and initiatives taken mainly in the past one year as information to be posted. Please look at the Report along with this website.

> Integrated Report

#### Overview of information disclosure



#### **Position of Integrated Report in Disclosure Documents**

\*Documents systematically stipulated under the Companies Act, Financial Instruments and Exchange Law, etc.