**HTS Group Sustainability**

Under the HTS Group’s corporate philosophy “to deliver high-quality services that will help make the world a better place for people and nature for generations to come,” we have been promoting sustainability initiatives to contribute to the realization of a sustainable society.

**Basic CSR Policy**

Under the corporate philosophy, the HTS Group promotes activities in line with the Basic CSR Policy with an aim to realize a sustainable society through communication with our various stakeholders and integrate sustainability and management. As part of this cycle, we will also promote active disclosure of ESG (Environment, Social and Governance) information and contribution to achievement of SDGs in cooperation with our various stakeholders.

**Contribution to SDGs**

SDGs are 17 universal goals for the international community to be attained by 2030, and the HTS Group is fully aware of the importance of achieving the SDGs. Among 17 goals of SDGs, the following eight goals are especially relevant to our objectives. We will work to do our part in achieving these SDGs as we move into high gear to reach our objectives.

**SDGs closely related to four objectives**

SDGs relating to objectives of the HTS Group

**Participation in International Initiatives**

The HTS Group signed the “UN Global Compact (“UNGC”)” in May 2020 to express its support for the principles. The UNGC is a voluntary initiative to participate in creating a global framework for the sustainable growth. To contribute to the realization of a sustainable society, the Group strives to comply with the ten principles by using various insights and good practice by participants for the implementation through Global Compact Network Japan, the local network of UNGC.

**SDGs relating to objectives of the HTS Group**

**Overview of FY2021 Sustainability Promotion Committee**

- Discuss and approve the method to disclose sustainability information
- Share the information about the ESG external evaluation and external trends regarding sustainability
- Review and approve material issues, etc.

**Important agenda discussed in the meetings are submitted to the Executive Committee.**

- **Chair**: Executive Vice President and Executive Officer, General Manager of Corporate Strategy Office
- **Vice Chair**: Deputy General Manager, Corporate Strategy Office

For details on sustainability, please visit our website.

The HTS Group identified 15 material issues in FY2017 and developed four objectives from CSV* viewpoint, but we reviewed the material issues in FY2021 in light of drastic changes in issues and management environment relating to sustainability. In doing so, we identified material issues not only from ESG perspective but also in consideration of their relevance to solutions for social issues in the logistics industry and the business strategy. As a result, we identified a total of 12 material issues including those with strong focus on business and those unique to logistics operations, which is a social infrastructure, such as “Prevent accidents during operation” and “Enhance disaster prevention/mitigation.”

### Review of Material Issues

- Positioning of material issues, objectives, and SDGs:
  - Of the identified 12 material issues, we classified those relating to value creation into “Objectives” and those relating to the business base, such as compliance and risk management, into “Supportive foundation for the objectives.” We also clarified the relation between the objectives and SDGs.

- Creating Shared Value (CSV): Refers to practices that balance activities to create economic benefits with solutions to social issues, or management strategies to achieve them.

- Of the identified 12 material issues, we classified those relating to value creation into three “Objectives” and those relating to the business base, such as compliance and risk management, into “Supportive foundation for the objectives.” We also clarified the relation between the objectives and SDGs.

- Material issues identified in FY2017 were re-assessed.

### Process to identify material issues

1. **Step 1: Identify Issues**
   - Identified material issues not only from ESG perspective but also in consideration of their relevance to solutions for social issues in the logistics industry and the business strategy.

2. **Step 2: Prioritized Issues**
   - Assessed the importance for stakeholders.
   - Assessment weight by ESG rating agencies.
   - Role of each industry.
   - Involved in interview by external experts.
   - Our business measures and ESG initiatives.

3. **Step 3: Check the Adequacy**
   - Assessment by the management:
     1. Assessment of material issues by the management.
     2. Discussion at the management workshop based on the assessment result in (1).
   - Check of the adequacy by external experts.
   - Check of adequacy based on the assessment process and adequacy of material issues.

4. **Identified**
   - Identified material issues.
   - Developed objectives and KPIs based on material issues.

- **Objective 1**
  - Material issues: Secure diverse human resources to support growth.
  - Materiality theme: Create New Values through Collaborative Innovation.
  - KPIs based on material issues.

- **Objective 2**
  - Material issues: Build and evolve resilient, sustainable logistics services.
  - Materiality theme: Build and Evolve Resilient, Sustainable Logistics Services.

- **Objective 3**
  - Material issues: Supportive foundation for the objectives.
  - Materiality theme: Supportive foundation for the objectives.

- **Objective 4**
  - Material issues: Contribute to Decarbonized/Recycling-oriented Society.
  - Materiality theme: Contribute to Decarbonized/Recycling-oriented Society.

### Positioning of material issues, objectives, and SDGs

- Material issues identified in FY2017 were re-assessed.

### Identified

- Identified material issues:
  - Developed objectives and KPIs based on material issues.

- **Objective 1**
  - Material issues: Secure diverse human resources to support growth.
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- **Objective 4**
  - Material issues: Contribute to Decarbonized/Recycling-oriented Society.
  - Materiality theme: Contribute to Decarbonized/Recycling-oriented Society.

### Check the adequacy of material issues — Comments from opinion exchange with external experts

- I believe material issues for ESG management have been properly identified through an adequate process in which important matters are discussed and shared among the management in order to spread them across the company. I think following such process with an aim to increase HTS’s corporate value will increase effectiveness of the initiatives to solve issues.

- While there are difficulties in global logistics companies such as “decarbonization,” “resource recycling,” “human resources,” “work environment,” and “human rights/supply chain” are identified clearly and exhaustively. I felt that “Step up DX” and “Establish business models through collaborative innovation” that are supposed to remind the uniqueness of HTS don’t really sound like a logistics company to external parties.

- To enable smooth communication with stakeholders, it may be helpful to devise a way to describe them or set KPIs that show HTS’s uniqueness.

### Mari Yoshitaka

Fellow, Principal Sustainability Strategist
Mitsubishi UFJ Research and Consulting Co., Ltd.

I think that appropriate deliberation was conducted from the perspective of both “logic” and “will” by pursuing “HTS’s uniqueness” through discussions with the management and secretariat, instead of relying only on the objective and rational analysis of social demand, investors’ recognition, and competition trends. I felt that the process was not only appropriate but also successful in identifying the “material issues unique to HTS” with the business concept of LOGSTEEED by including “Step up DX” and “Establish business models through collaboration innovation” among the material issues. I trust that including issues related to CSR as well as those directly related to realization of the management strategy has achieved “good understanding” within the Company.

It was a little disappointing, however, that there are not enough material issues related to “new innovation beyond logistics domain.” I believe material issues for ESG management have been properly identified through an adequate process in which important matters are discussed and shared among the management in order to spread them across the company. I think following such process with an aim to increase HTS’s corporate value will increase effectiveness of the initiatives to solve issues.

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- To enable smooth communication with stakeholders, it may be helpful to devise a way to describe them or set KPIs that show HTS’s uniqueness.

### Masashi Onozuka

Partner
Roland Berger GmbH

Completed Graduate School of Media and Governance of Keio University. Assumed current position after working at Fujitsu Research Institute Corporation and Nikkei Information & Research Institute, Inc. He provides various consulting services including long-term vision, management plan, growth strategy, new business development, M&A strategy, business restructuring, strategic reform, and risk management mainly in the fields of logistics and supply chain. Using his insights acquired through his extensive experience, he has held various positions such as a member of policy committees at various logistics in administrative agencies including the Cabinet Office and the Ministry of Economy, Trade and Industry, and industry groups.