

SG Holdings Group

SDGs

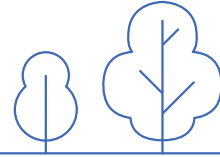
Communication Book

2020

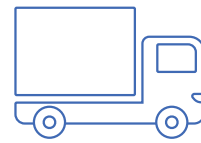


**7FACTS,
7ACTIONS!**

Smoothing Out Today, for a Smarter Tomorrow



Today, the SG Holdings Group is devoting all of our efforts to using logistics to provide people with worry-free lives.

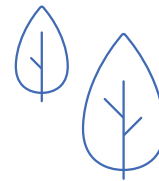


This means offering safe, reliable logistics infrastructure.

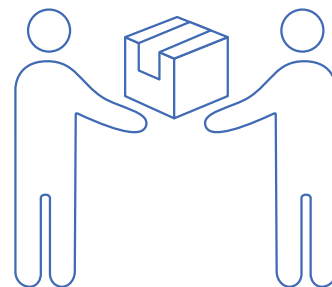
It means living in harmony with the global environment, helping to preserve an abundant, happy way of life.



And by using the power of our comprehensive logistics solutions to create new value, we hope to build a smarter tomorrow.



The SG Holdings Group will continue contributing to society through its business, working toward a future in which people connect, and smiles bring them together.



SG Holdings Group

CSR Statement

The Group has made a CSR Statement clearly showing the significance and approach of its CSR activities based on the material CSR issues of the Group that were identified in fiscal 2017. The statement explicitly states how we as the SG Holdings Group would like to be involved with society through logistics, and how we would like to provide value to society. We will use it as a reference to return to at times such as when formulating business plans and in everyday operations.



Eiichi Kuriwada

SG Holdings Co., Ltd.
Chairperson and CEO

栗和田 栄一

Greetings

Since the Company was founded in 1957, we have engaged in CSR (corporate social responsibility) activities by practicing the “Hikyaku no kokoro” (spirit of Edo-era express messengers), which is the cornerstone of our foundation. In 2017, we identified material CSR issues for the Group to address as one to resolve social issues, and also selected the goals the Group will face from among SDGs (Sustainable Development Goals), and have conducted our activities accordingly. In order to provide stakeholders with a deeper understanding of these SDGs and the Group’s goals, we have published this SDGs Communication Book 2020. It is our belief that efforts not only of individuals but also as corporate units are a vital key to SDGs, which are a new global framework, and we will fulfill our corporate responsibility through deeper dialogue brought about by the publication of this book.

President’s Message

Sustainable Growth Achieved with the Resolution of Social Issues through Business

In recent years, in response to the occurrence of natural disasters and changes in the international business environment, there has been significant growth in “ESG investment” focused on business continuity from the perspectives of the environment, society and governance. In January 2020, the theme of the annual meeting of the World Economic Forum in Davos attended by our Group was “Stakeholders for a Cohesive and Sustainable World.” I feel that the world is facing highly urgent and important issues, and that there is a strong need for action for sustainable growth such as through SDGs. In addition, due to the spread of COVID-19, I feel a renewed sense of responsibility that we handle logistics forming infrastructure required for sustainable society.

Meanwhile, supply chains are becoming more sophisticated due to business becoming borderless and more diversified, and logistics needs are becoming extremely varied. I think balancing the promotion of business with contribution to SDGs through the provision of a wide variety of logistics solutions is our responsibility as we provide social infrastructure in the form of logistics. Every single person in the SG Holdings Group will work as one to take action to provide true value as a comprehensive logistics group.



Hideo Araki

SG Holdings Co., Ltd.
President and COO

荒木 秀夫

“
*Every single person will work
as one to take action to provide
true value of logistics as
social infrastructure*
”

The SG Holdings Group and SDGs

Contribute to the achievement of SDGs through the infrastructure of unwavering logistics

SDGs (Sustainable Development Goals) are the 17 goals for international society to achieve as solutions to issues by 2030. These SDGs have several revolutionary characteristics. These are that the 17 goals are interrelated, emphasize global partnerships, and have an approach where the three aspects of economy, society and environment are inseparable. Until now, efforts to address social problems tended to be thought to be led by national governments. However, with the emergence of global corporations with sales exceeding the GDP of small countries, particular focus has been drawn to the role of companies. The SG Holdings Group also believes that as a listed company with more than 1 trillion yen in revenue, it is its responsibility to contribute through unwavering logistics achieved through the combined strength of more than 90,000 employees.

Efforts aimed at sustainability, which has become a major indicator of corporate value

In 2006, the UN Principles for Responsible Investment were presented to financial institutions, resulting in the spread of ESG Investors selecting investments on the basis of sustainability. At the annual meeting of the World Economic Forum held in Davos, the Global 100 Index made up of the world's 100 most sustainable companies is announced, and sustainability efforts coupled with corporate management have become a major indicator of corporate value presented to the market. The Group has also stated "contribution to SDGs" to be its approach to sustainability in the Second Stage 2021 Mid-term Management Plan, and has identified goals that are highly compatible with the seven material CSR issues.

ACTION together to realize goals in 2030!

This Communication Book entitled "7FACTS, 7ACTIONS" was prepared with focus on the following efforts with a high level of urgency for each goal.

- ① **Goal 3 "Traffic Safety"** : Education and technology supporting traffic safety to halve the number of deaths and injuries from road traffic accidents occurring throughout society.
- ② **Goal 5 "Gender"** : Establish a slogan to eliminate all boundaries for the promotion of management with consideration for diversity.
- ③ **Goal 7 "Renewable Energy"** : Promote the spread of renewable energy through solar panels installed on logistics facilities.
- ④ **Goal 8 "Decent Work"** : Eliminate long working hours and realize work-life balance to improve the happiness and labor productivity of each employee.
- ⑤ **Goal 9 "Logistics Solutions"** : Create new value and realize logistics reform through comprehensive logistics solutions.
- ⑥ **Goal 11 "Resilience"** : Support safe and comfortable urban development through comprehensive partnership agreements with local governments.
- ⑦ **Goal 13 "Climate Change"** : Contribute to a carbon-free society through the promotion of environmentally friendly business such as environmentally friendly vehicles and modal shift.

We hope this book that is also an expression of our determination will provide you an opportunity to work together with us to take ACTION for the realization of a better future.

SUSTAINABLE DEVELOPMENT GOALS





7 FACTS, 7 ACTIONS!

When our company was listed on the first section of the Tokyo Stock Exchange in December 2017, we added the perspective of social issues utilizing SDGs to stakeholder management. Here, we introduce the responsibilities of each employee as a member of a listed company —the action that should be taken to address key issues as we handle the social infrastructure of logistics in response to urgent facts (issues) presented by SDGs.

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* Sales Driver®, GOAL® and X FRONTIER® are registered trademarks of the Group. Trademark notation has been omitted in this book.





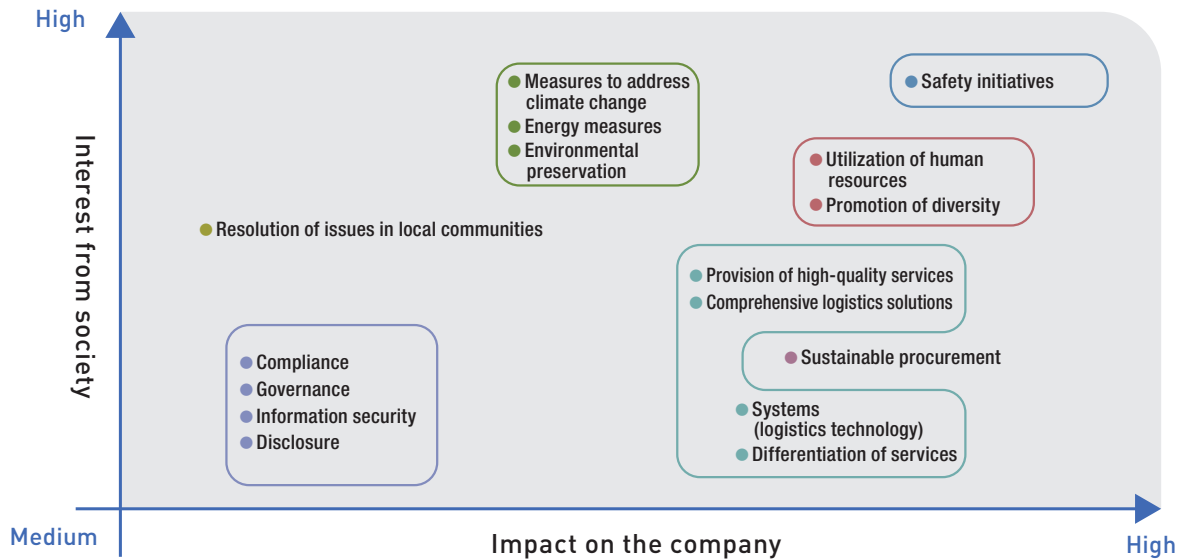
Approach to SDGs

Material CSR Issues and SDGs

As a comprehensive logistics group, we are aiming for sustained growth while resolving social issues through our business. Material CSR issues were specified by identifying risks and opportunities in business domains, extracting efforts required for risk mitigation and applying requirements from society. In this process, SDGs were utilized as society's perspective. Seven SDGs highly compatible with material CSR issues were identified, and action is being taken to address each of these.



Identification of Seven Material Issues



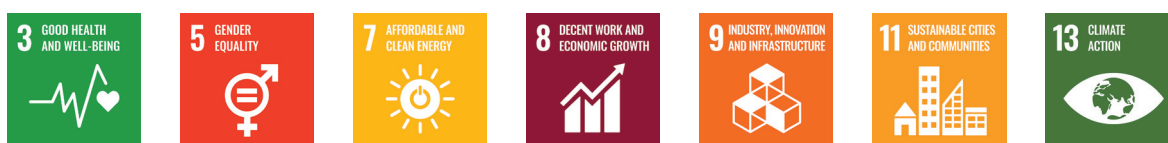
Positioning of CSR in the SG Holdings Group

Development of Sustainable Society



The SG Holdings Group has listed “contribution to SDGs” as one of the key measures in the “Second Stage 2021” Mid-term Management Plan for the three years from fiscal 2019. This is because of our belief that we should take a path that shares goals with SDGs in order to maintain and evolve the logistics business as social infrastructure.

Identification of SDGs that are highly compatible with Material CSR Issues



Seven Material Issues	Related SDGs	Initiative Themes
Providing Safe and Secure Services		<ul style="list-style-type: none"> Traffic safety Labor health and safety Quality
Promoting Environmentally Friendly Business Activities		<ul style="list-style-type: none"> Climate change Circulation of resources Coexistence with nature
Building an Organization of Diversity and Inclusion		<ul style="list-style-type: none"> Human rights Labor practices Diversity and Inclusion (D&I)
Creating New Value Through Comprehensive Logistics Solutions		<ul style="list-style-type: none"> Provision of advanced logistics solutions Promotion of digitalization and technologies
Contributing to Communities		<ul style="list-style-type: none"> Local contributions
Promoting Sustainable Procurement		<ul style="list-style-type: none"> Supplier management
Building a Responsible Management Foundation		<ul style="list-style-type: none"> Corporate governance Compliance Risk management and information security



Traffic Safety

FACT

One life is lost worldwide **every 24 seconds*** in traffic accidents, with **1.35 million people fatalities each year**



The future achieved with SDGs >> Significant advances in self-driving technology and vehicles being able to connect to one another via network could lead to the realization of a society without traffic accidents.

○ Support safety with education and technology

The Group owns approximately 27,000 vehicles. The total distance travelled annually in Japan alone is approximately 610 million kilometers. We recognize that minimizing the negative impact of traffic accidents on society is an important mission as our responsibility to provide social infrastructure in the form of logistics, and have established a system for preventing accidents based on the Basic Policy on Transportation Safety. The basic initiative for preventing accidents is safety education. New drivers at Sagawa Express undergo various types of training and guidance, and only set out as Sales Drivers once they pass an examination. Even after that, instructors and examiners licensed within the company provide periodic guidance to ensure safe driving continues. Furthermore, safety assistance devices such as rear camera and rear sonar for covering vehicles' blind spots

Number of instructors and examiners (Sagawa Express)

14,544

*As of March 31, 2020

are installed to provide drivers with support from a technological aspect. We will continue to support drivers through both education and technology, and contribute to halving the number of casualties caused by traffic accidents as stated in the SDGs.



Rear sonars and cameras are installed to prevent reversing accidents that frequently occur. Drive recorders are utilized for validation of driving.

- Rear sonar
- Rear camera

*World Health Organization (WHO) "Global Status Report on Road Safety 2018"



We are promoting **Transportation Safety Management**

Approximately 1.35 million people die in traffic accidents worldwide every year. One of the targets in the SDGs is “By 2020, halve the number of global deaths and injuries from road traffic accidents.” The Group is engaged in contributing to the achievement of this target by utilizing traffic safety know-how accumulated over many years.



Keisuke Yokohama
Sagawa Express
Chiyoda Sales Office
Safety Promotion Section

Drivers' sense of security leads to zero accidents

Morning roll call including checking the complexion and physical condition of drivers is given the utmost emphasis. Feeling composed leads to safety, and particular attention is given to speaking with new drivers. If rain is forecast, I make an effort to provide support that will lead to safety such as preparing towels for drivers.

ACTION!

by the Chiyoda Sales Office

We constantly maintain a high level of awareness through powerful support for drivers from safety promotion officers.



Takaaki Kanauchi
Sagawa Express
Chiyoda Sales Office
New Sales Driver

I drive with a sense of security thanks to assistance from senior personnel and the safety functions installed in the vehicle

I am able to work smoothly thanks to the support of safety promotion officers and senior personnel. In particular, I feel a sense of security due to attention being given to me during mid-shift roll call. Another thing that is reassuring is that vehicles are equipped with safety assistance devices. Accidents frequently occur while reversing, and rear sonars and cameras provide comfortable margins to drivers in such situations.

It is important that each person is aware that safety takes precedence over everything else

It is important that each person actively thinks to make an effort to drive safely by utilizing the environment such as the training system and hardware. This leads to contribution to SDGs as a result.



Koichi Segawa
Sagawa Express
Chiyoda Sales Office
Sales Office Manager

A day in the Chiyoda Sales Office

① Arrival at work, loading

Packages to be delivered that day are checked and loaded with the assistance of senior personnel.



Safety Promotion

“Outbound roll call”

In roll call by safety promotion officer, particular attention is given to checking the drivers' complexion and physical condition.

② Departure!

Drivers who have completed roll call leave on deliveries.



③ Delivery

The area covered by the Chiyoda Sales Office is mainly made up of office buildings. Most deliveries are performed by parking in basement parking areas.

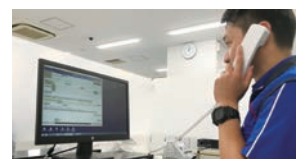
Safety Promotion

“Driver Mentoring”

Senior personnel accompany drivers to provide driver mentoring. This is carried out not only when a new driver, but also periodically once drivers are fully qualified..

“Mid-shift roll call”

The safety promotion officer contacts drivers at times when they tend to get complacent to focus their attention.



“Street validation”

The safety promotion officer conducts spot validation of whether parking measures are being properly implemented on the street.

④ Collection

Once packages have been delivered, collection is carried out.

⑤ Return

Upon returning to the Sales Office, packages are unloaded and remaining tasks are performed.

Safety Promotion

“Inbound roll call”

Driving records are checked while checking the day's operating conditions to complete the day's work.

Good job!

*The schedule shown is an example of a day at the Chiyoda Sales Office.



Gender

FACT

One in ten*, or 10% of all Japanese identify as **LGBT**



The future achieved with SDGs >> Let's realize an abundant future society by transcending borders such as gender, age, nationality and disability.

○ A vision of “Over the Border” to eliminate all borders

As economic activity expands globally, goals such as gender equality have been set in international society through SDGs, and companies are required to take steps to respect human rights. The SG Holdings Group has placed particular emphasis on promoting the active participation of women as a key issue, and has implemented initiatives such as promoting women to managerial positions, expanding the scope of occupations available, establishing environmental and institutional aspects and the creation of new businesses by women. With the project reaching its completion with certain results in 2020, a new slogan of “Over the Border” was established for the purpose on focusing on areas not limited to active participation of women.

Issues concerning diversity are varied and include LGBT, people with disabilities, senior citizens and



global personnel. As the first step, we aim to ensure core personnel such as HR members whose roles are hiring and establishing systems, upper management, department managers and senior managerial personnel properly understand these issues, followed by efforts to ensure this understanding is spread widely among all employees.

Over the Border

The SAGAWA brand (border pattern) is used to express diverse people working by transcending borders such as gender.

*Japan LGBT Research Institute. Inc. "LGBT Awareness Survey 2019"



Promoting **management with consideration for diversity leveraging the unique characteristics of diverse human resources**

Respecting diverse values to make flexible decisions and create new value...

In order to develop into a sustainable corporate group, we are promoting diversity & inclusion involving gender equality efforts such as active participation of women and LGBT as well as actively accepting diverse individuality such as people with disabilities, senior citizens and global personnel.



Active participation of women

Marie Haga

SG Holdings Chief, Human Resources Development Department



Management with consideration for diversity

Yukari Nishibayashi

SG Holdings Manager, Human Resources Development Department

“Establishing the groundwork enabling active participation by women”

In 2011, the Group became a pioneer in the industry by launching the “WakuWaku Women’s Project” aimed at promoting active participation by women, and has conducted activities with the goal of establishing a system in which women account for 30% of Group revenues. Compared to when the project was launched, the percentage of female employees had approximately doubled by the end of fiscal 2019, and the percentage of managerial positions held by women had increased approximately eightfold. These are high numbers for the logistics industry that is considered to be a man’s world. In addition, the DIVERSITY AWARDS was started in 2013 to focus upon and award businesses devised by women. It is a contest that recognizes female employees including those in managerial positions and those in the logistics field, where you can realize that women who actually participate are passionate about their work, and that they are truly talented human resources exhibiting their capability and individuality. I would like to continue to provide the groundwork enabling such women to actively participate throughout the Group in future.



We asked about **active participation of women** and **management with consideration for diversity**.

“Women in positions with authority to make decisions in future”

Until now has been a period for building a common awareness of it being normal for both men and women to “actively work” in the same way. Next, we will aim to make it normal for “women to be in positions capable of decision-making.” This will require careful support. Our policy is to continually provide education such as “Women’s Career Support Training” to female employees who are candidates for managerial positions, and promote more women to decision-making positions.

“We are taking the initiative to address LGBT issues”

The Group has entered a phase where we are also looking at areas of diversity other than active participation by women. Moving forward, we will focus on a variety of areas. The first area the Group as a whole will take the initiative to address in management with consideration for diversity is LGBT issues. The issues faced and systems required by LGBT people vary, and we would like to begin by correctly understanding it. Also, we will aim to create an environment where various choices are considered normal regardless of whether or not a person eventually decides to come out.

“Know the actual conditions of the issue and spread correct understanding”

The way people approach and perceive this issue varies depending on a person’s generation and background. Many of the people in the company in their forties and fifties show surprise upon hearing that one in ten Japanese people identify as LGBT, but people in their twenties and thirties give the impression that it is generally accepted as normal. With the view that it is important to first correctly understand these conditions, learn what the people in question want and make this widely understood, we plan to periodically conduct workshops on LGBT issues. Like active participation by women, we will lead the industry as we address LGBT issues.



DIVERSITY AWARDS



DIVERSITY AWARDS

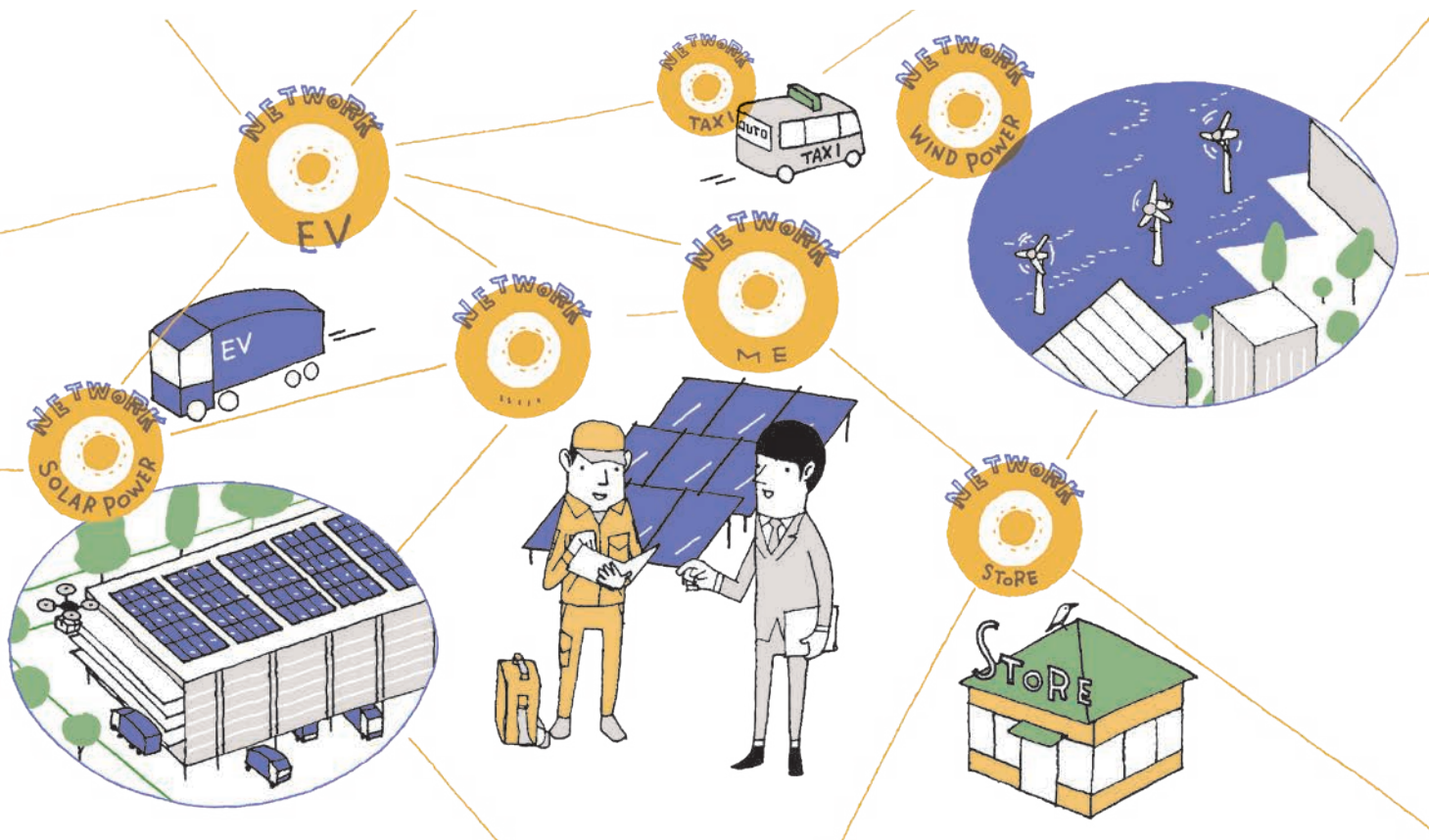
An award program for ensuring successful examples of women participating in new business, initiatives enabling active participation by women and transformation of organizational culture spread throughout the entire Group. In fiscal 2019, there were 102 submissions in the two sections of Women’s Activities Promotion and Work Style Reforms. The program has led to increasing the motivation of female employees.



Renewable Energy

FACT

The ratio of variable renewable energy in Japan is just **8.4%***



The future achieved with SDGs >> Believing that renewable energy produced in logistics facilities will contribute to a future society that is smarter for people and the environment.

Solar panels are installed in 99 logistics facilities

The SG Holdings Group began installing solar panels in sales offices of Sagawa Express in 2003, and has proceeded to use them in 23 locations within the company in order to promote the use of renewable energy. At present, they are also installed in 99 other logistics facilities. Once the “Feed-in Tariff Scheme for Renewable Energy” began in 2012, supply of clean energy to power companies in each region began in April 2013. The total amount of power generated is published on the website (Japanese) of SG Realty, which manages and develops the Group’s real estate facilities (<http://www.sg-realty.co.jp/>). SG Realty Wako became the first logistics facility to obtain zero-energy building (ZEB)*1 certification under the Building Energy-efficiency Labeling System (BELS)*2. Energy-saving equipment is employed in facilities to realize “net zero energy” in large logistics

Number of solar panels installed

137,808

* Total number installed in 99 logistics facilities

facilities capable of consuming power only produced within the facility. A similar case is being considered in Higashiosaka City, and we will further contribute to the reduction of environmental burden through such initiatives.



DBJ Green Building
2017

Five stars have been obtained under “DBJ Green Building” assessing real estate that gives consideration to society and the environment in four facilities such as SG Realty Wako and SG Realty Higashimatsuyama.

*Institute for Sustainable Energy Policies “Share of renewable energy electricity in Japan, 2019 (Preliminary report)”



Operating logistics facilities equipped with solar power generation systems

The EU has set a target of 32% of all power generated being renewable energy by 2030. Meanwhile, the current percentage in Japan is 18.5% and the percentage of variable renewable energy, which is a combination of solar and wind power, is 8.4%. The Group has introduced solar power generation systems expected to support energy in Japan in future to supply power to its logistics facilities.

Industry first!

Cutting edge logistics facility equipped with disaster prevention electricity storage facilities with a maximum output of 50 kW

SG Realty Wako

DATA

Location : Niikura, Wako City, Saitama
 Site area : 27,300.84 m²
 Total floor area : 64,590.07 m²
 Completed : End of February 2018



Disaster prevention electricity storage facilities enable power to be supplied for up to approximately eight hours to common areas, etc.

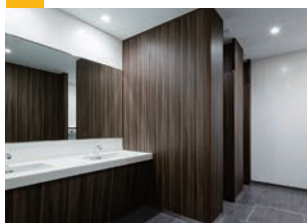
1 Solar panels



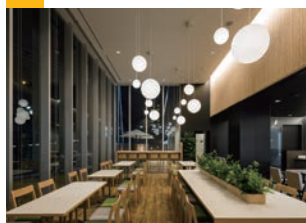
2 LED lighting



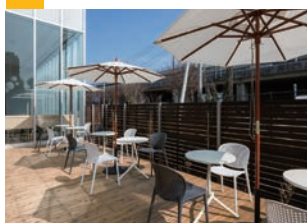
3 Restroom



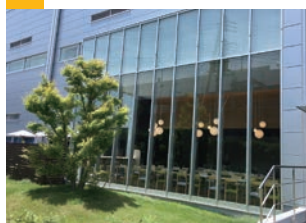
4 Lounge



5 Wood deck



6 Tree-planting on site



7 Bus



8 Shared bicycles



An environmentally friendly logistics facility offering a sense of security and comfort

"We obtained ZEB*1 certification, the highest rank of BELS*2"

SG Realty Wako commenced operation in 2018 as an environmentally friendly logistics facility. The facility was recognized for installing a solar power generation system on the roof and using the power generated in the building, resulting in it obtaining ZEB*1 certification, the first time a logistics facility, and the highest rank under BELS*2. The Group has generated solar power in other facilities in the past, but this is the first time that it has generated power for in-house use on such a scale.



Sayumi Takimoto
 SG Realty Property Management Section, Asset Management Department

"We have installed electricity storage facilities to prepare for power outages caused by disasters"

I personally studied environmental economics in university, but it was an eye-opening experience when I first saw the solar panels laid out on the rooftop. We have also installed electricity storage facilities with a maximum output of 50 kW, which is a first for the industry. This was installed for people unable to return home in the event of a disaster, enabling use of the lounge, disaster prevention center and restrooms even during a power outage.

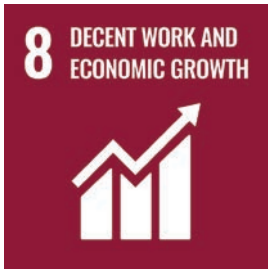
"The comfortable and worker-friendly environment is appealing"

In addition, the spaces within the facility are designed to be comfortable, and the building brightly-lit by LED lighting, the lounge with light pouring in through large glass windows, the wood deck using timber from forest thinning by Sagawa Forestry and the clean restrooms with a subdued tone have been well-received by tenants and guests alike. Furthermore, "Share Cycle Station" was started in 2020. Shared bicycles placed at Wakoshi Station can be used between the station and SG Realty Wako. It is also a good environment, and being able to arrive within 5-10 minutes has been well received by tenants.

- 1 Solar panels also have a heat-insulating effect
- 2 LED lighting that is bright while saving energy
- 3 Lights in restrooms and hallways automatically turn on and off using sensors
- 4 Picturesque lounge with warm lighting and scenery visible from the windows
- 5 Wood deck using timber from forest thinning
- 6 Tree-planting across the entire site
- 7 Reduction of commuting by car by operating buses
- 8 Share Cycle Station in front of the entrance

*1 ZEB (Zero-Energy Building) A building that aims to have net zero annual primary energy usage while maintaining the indoor environment.

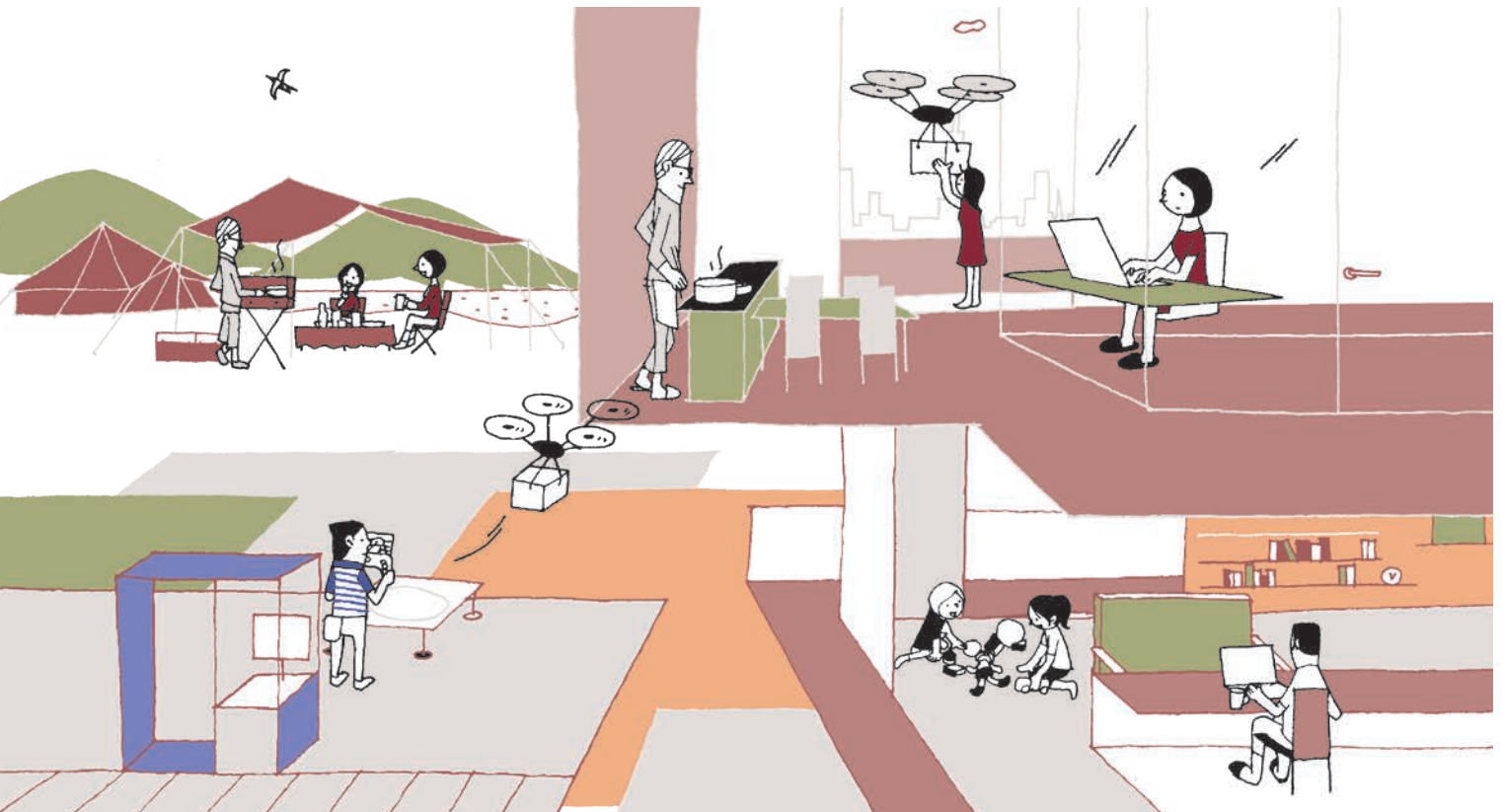
*2 BELS (Building-Housing Energy-efficiency Labeling System): A building energy performance indication system certified by a third-party organization.



Decent Work

FACT

Since 1970, **Japan** has been consistently **last*** in the ranking of **G7 labor productivity** >>>



The future achieved with SDGs >> The stages of life are varied when diverse human resources come together. Being able to choose the work style that suits you increases motivation and productivity.

○ Work-life balance and improvement of labor productivity

The Group has been conducting employee engagement surveys for measuring the connections between the company and employees since fiscal 2018. These surveys include questions for determining whether there is an environment for fully utilizing motivated employees, and understanding opinions voiced on respect for individuality, diversity and work-life balance lead to better initiatives. To date, the Group has supported the balance of home and work by promoting the acquisition of childcare and nursing care leave, instituting work-from-home systems and opening daycare centers on business sites, in addition to introducing Night Delivery work during limited hours when there is a high probability of people being home, and Delivery Mate, which is a collection and delivery scheme that facilitates work for housewives. As a result, in the latest survey, it has been found that certain results have been produced such as employees being able



to select individual work styles with the cooperation of the surrounding people. The achievement of the next level of work-life balance that is one of the SDGs will lead to the enhancement of productivity.

■ SGH Kids Garden

We opened a daycare center on a business site to support our employees' work-life balance in 2017.



■ Introduction of telework

Our 14 Group companies in Japan have made telework arrangements. We will promote utilizing these mainly in back office (administrative department) operations.

*As of May 2020

*Japan Productivity Center "International Comparison of Labor Productivity 2019"



We are engaged in **the realization of decent work**

The realization of decent work which is fulfilling and humane as set forth in the SDGs is also a goal of the International Labour Organization. The Group's core transportation business tends to have long working hours, and we are focusing on the promotion of a work-life balance.

CASE 01 The case of Nobukatsu Takeuchi

Chief, Kansai Airport Operation Center,
Sales Department,
SGH Global Japan

Since I joined the company in 2016, I have been responsible for handling import and export customs clearance procedures at Kansai Airport, and I obtained national certification as a Registered Customs Specialist in 2018. In my third year with the company, I became the first male employee to take long-term childcare leave. I would like to tell you about my experience of taking childcare leave to spend meaningful time with my family, and want my co-workers to actively use the system.



CASE 02 The case of Miharu Kobari

Chief, Development Section,
Marketing and Sales Development Department,
SG Realty

I left my previous job doing architectural design at an architectural firm when I had a child. After not working for a decade, I joined the company as short-time contract employee in 2015. In my fourth year, I asked my boss to change my job to the job utilizing my skills for architectural design, and was transferred to the Development Section responsible for the development and construction of new real estate. I was hired as a regular employee in the position of Chief and began working full time.



CASE 03 The case of Kana Oya

Manager, Sales Section,
Hamamatsu Sales Office, Tokai Branch Office,
Sagawa Express

I joined the company in 2005 and was assigned to the Customer Service Section. After taking maternity leave and childcare leave the following year, I returned to work in the new position of a Sales Driver. After participating in the Truck Driving Championships, I was transferred to the Staff Development Section (in charge of Education & training) responsible for human resource development, and learned about tailored instructional methods and the joy of helping people grow. Following that, I was transferred four times and eventually became Manager of the Sales Section in 2018.



Work and personal life are both great!



During childcare leave, I took the initiative to do housework and look after the kids. I was able to see the growth of our newborn daughter, and was there when she first crawled and pulled herself up to stand. Also, having an orderly schedule helped our family keep a good healthy rhythm, leading to my son going to bed earlier and me successfully losing 10 kilograms. I also have the impression that my wife smiled more. It was an invaluable four months for our family.

People in the workplace understand the need for a balance between work and home, and we have an environment where team members support each other to ensure work is not impeded when leaving early or taking time off for children's school events and other occasions. I sometimes get ideas related my job when I spend the time with my family. I think having a fulfilling private life enjoying camping, playing self-learned piano and having dinner with friends will lead to work being more concentrated.

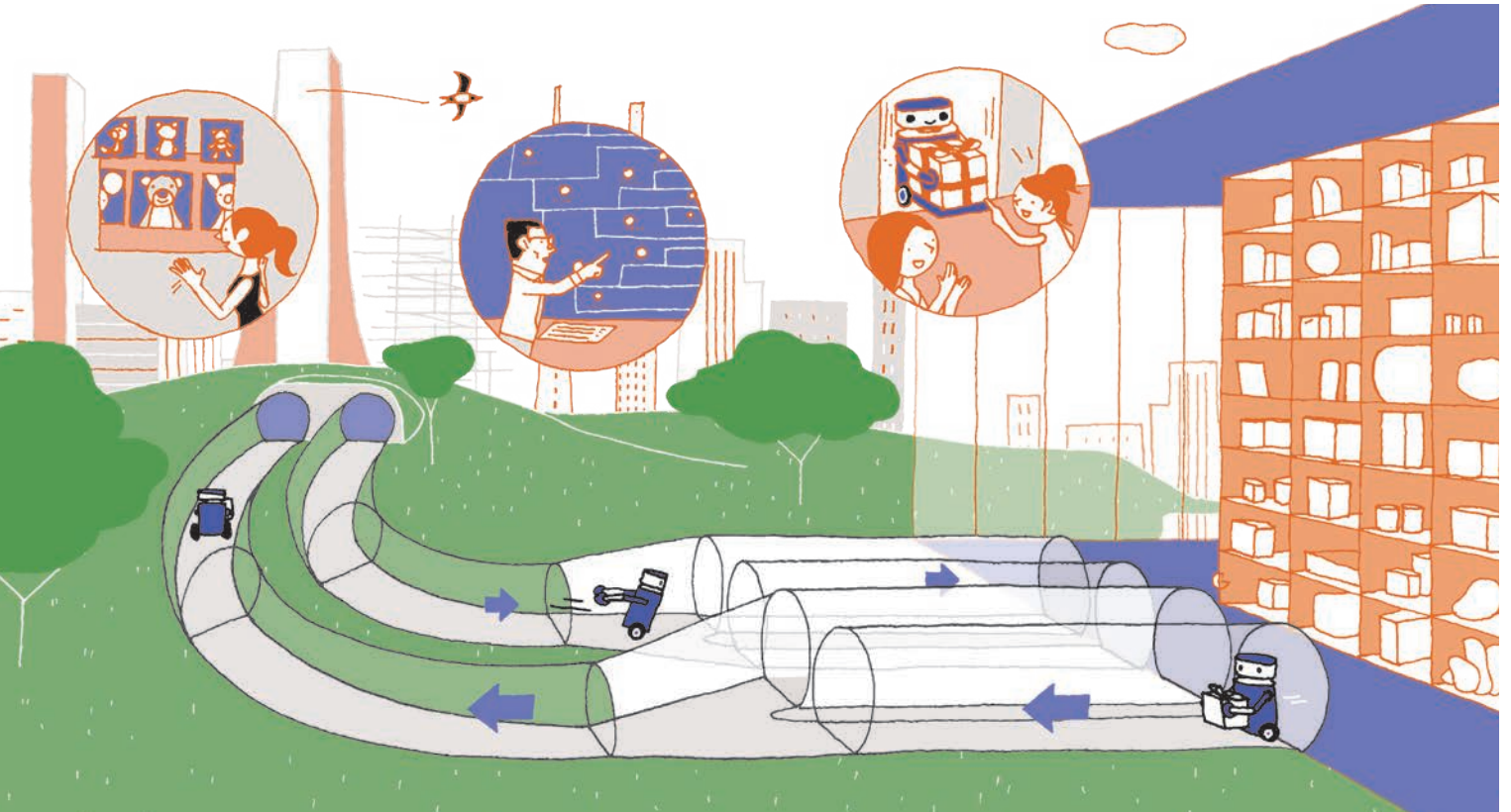
Based on my experience when I took childcare leave, I learned that the understanding and support of superiors is essential for building a worker-friendly culture. Now that I have my own subordinates, I am in the position of supporting them. One thing I pay particular attention to is staggered working hours for assistant managers who tend to have long working hours. Personally, improving my time off leads to being more active at work, and I enjoy pastimes such as golf with my children.



Logistics Solutions

FACT

The global e-commerce market is continuing **double-digit growth** and is estimated to be valued at **USD 4 trillion***



The future achieved with SDGs >> In future cities where logistics is largely automated, deliveries may be made by robots traversing dedicated underground logistics highways.

○ Creating new value through comprehensive logistics solutions

In recent times, supply chains have become more complex as corporate activities become borderless, and consumer needs are also diversifying in the rapidly growing e-commerce market. With these developments, the needs for logistics are also becoming more sophisticated, and a variety of issues need to be resolved.

Comprehensive logistics solutions that meet such needs are provided by the GOAL advanced logistics project team. The operation of a team spanning the Group covers entire supply chains in all business categories in an effort to resolve logistics issues. Furthermore, functional support such as facilities and equipment is also essential. Previously, the Group has engaged in the establishment of Sagawa Distribution Centers (SRC) unifying the sales office functions of Sagawa Express with warehouse functions. In 2020, this was taken a step further with the completion of the X FRONTIER

Hourly processing capacity of X FRONTIER

Up to **100,000** packages

next-generation large-scale distribution center creating logistics solutions by combining diverse logistics functions of the Group with the functions of a large-scale transfer center of Sagawa Express. Logistics innovation will create new value and contribute to the resolution of social and management issues.



■ Sagawa Distribution Centers (SRC)

The Group's strength is in its SRCs directly connecting distribution centers with truck terminals. X FRONTIER is a next-generation SRC where the logistics functions and human resources of Group companies interact.

*Prepared by modifying elements of the Ministry of Economy, Trade and Industry "Results of the FY2018 Survey of Infrastructure Development Status for Data-driven Society in Japan (E-Commerce Market Survey)" (<https://www.meti.go.jp/press/2019/05/20190516002/20190516002-1.pdf>)



Innovation through **improved logistics efficiency**

The growth of the e-commerce market has been spectacular in recent years, and the global e-commerce market is expected to be valued at more than USD 4 trillion in 2020. While the number of packages delivered continually increases, the working population including people engaged in logistics is in decline. In order to meet these needs, we would like to contribute to innovation of industry and technology by transforming logistics through steps such as the creation of new systems not constrained by existing frameworks.

Realization of an **E-commerce Transfer Center** for pharmaceuticals based on a new idea

For around a decade, Sagawa Express has been contracted to operate the distribution center of the national drugstore chain Sundrug in Fukuoka. When the ban on Internet sales of OTC pharmaceuticals was lifted in 2014, Sundrug consulted us about strengthening their e-commerce business. A license is required for the sale of schedule 1 pharmaceuticals such as analgesics, and it is necessary to operate a store constantly attended by pharmacists in the distribution warehouse, but standards such as restrictions on land use cannot be met in most cases. This issue was resolved by the members of the Kyushu GOAL team.



Yasukouchi Based on the results operating a similar case in Kanto, we made a proposal able to meet the clients' requirements by satisfying the official standard of having pharmacists on-site at all times in the Fukuoka warehouse of Sagawa Global Logistics.

Uehara Due to the lack of precedent, we provided detailed explanations while having the government offices and public health center look at the site to gain their understanding, and managed to reach the point of registration of the store. The launch was in September 2019. We achieved efficient operation of a transfer center where shipments arriving are shipped out the same day.

Matsuyama The strength of this transfer center is that it shares a warehouse with the distribution center for stores. Only the volume ordered is delivered from the distribution center with abundant stock and few missing items to the e-commerce center where pharmacists are stationed at all times, enabling immediate picking and packing, resulting in delivery with a short lead time. Creating such a streamlined logistics system has enabled early delivery of necessary pharmaceuticals to more customers.

Inoue As a result, the number of orders far exceeded our expectations. We were also able to meet this demand without delay through flexible staff assignment. In this way, we will continue to build the foundations for innovation of industry and technology by actively engaging in the transformation of logistics without being constrained by existing frameworks.

This was a significant first step to increase the number of e-commerce deliveries made by Sundrug. We would like to proceed to roll out the system to other locations nationwide to continue to increase the number of deliveries.

Yoshinobu Murase Manager, E-commerce Section, President's Office, Sundrug Co., Ltd.

Yusaku Uehara
Assistant Manager,
Development Section,
Logistics Sales Department,
Head Office,
Sagawa Global Logistics

Yuki Inoue
Fukuoka Sales Office,
Kyushu Branch Office,
Sagawa Global Logistics
(at the time of the interview)



Sunao Yasukouchi
Chief, Marketing and Sales
Development Section,
Marketing and Sales
Development Department,
Head Office, Sagawa Express

Naoto Matsuyama
Marketing and Sales
Development Section,
Marketing and Sales
Development
Department, Head Office,
Sagawa Express

GOAL Team
responsible for the project

What is GOAL? >>> An advanced logistics project team for proposing the best solutions spanning the Group

GOAL
(GO Advanced Logistics)

Next-generation large-scale logistics center



X FRONTIER is the SG Holdings Group's flagship center combining a transfer center and a distribution center, in addition to the diverse logistics functions of Group companies. We will utilize this site enabling the organic combination of the Group's varied resources such as delivery, logistics, international and large/special transportation to create new logistics solutions and expand the range of our proposals to strengthen our organization for providing support for customers' management issues from a logistics approach.





Resilience

(Urban development resilient against disasters)

FACT

Economic losses caused by disasters worldwide total

USD 300 billion annually*



The future achieved with SDGs >> Natural disasters such as earthquakes and typhoons can happen anywhere. Preparation against disasters using technology is likely to evolve.

Supporting safe and habitable urban development

In recent years, the issues faced by communities are diversifying, but many local governments are increasing efforts aimed at preventative urban development to address natural disasters. Sagawa Express is proceeding to conclude comprehensive partnership agreements with local governments to contribute to the resolution of community issues including addressing natural disasters by utilizing its nationwide offices and network, the resources it possesses and its logistics know-how.

These agreements enable the rapid provision of support without the need to separately conclude individual agreements each time a natural disaster such as heavy rainfall or a typhoon occurs. The functions of Group companies such as logistics warehouses and information systems are coordinated to provide support to disaster-affected areas from a variety of approaches including securing storage locations for emergency relief supplies, managing storage and retrieval, receiving inquiries from relief personnel and requests from evacuation sites and

Number of comprehensive partnership agreements concluded



30

* 21 prefectural governments and 9 municipal governments
* As of May 21, 2020

delivering supplies accordingly, and coordinating information with government offices. Furthermore, the Group is engaged in urban development resilient against disasters to ensure the social infrastructure of logistics is not halted by preparing for disasters under normal conditions such as actively cooperating with the disaster prevention drills conducted by local governments with which agreements have been concluded.



Sagawa Express has concluded comprehensive partnership agreements with the prefectural governments of Miyagi (pictured) and Iwate, which are two prefectures in Tohoku aiming to recover from the Great East Japan Earthquake.

*United Nations Office for Disaster Risk Reduction (UNISDR) "The Pocket GAR 2015. Making Development Sustainable: The Future of Disaster Risk Management".



Contribution to regional disaster prevention through comprehensive partnership agreements and partnerships with government

Sagawa Express has concluded comprehensive partnership agreements and disaster support agreements with local governments, etc.

Logistics know-how is utilized to contribute to secure urban development.

This initiative is also emphasized to soundly maintain society that forms the foundations of the Group's business and ensure sustained continuity of business.

Disaster relief activities of the SG Holdings Group

July 2018 Heavy rainfall in Western Japan



Concentrated heavy rainfall from June 28 until July 8, 2018 brought about disasters such as major flooding and landslides particularly in the Chugoku and Shikoku regions. The Group supported Mihara City in Hiroshima through Nagoya City, with which it had concluded a comprehensive partnership agreement. Total support was provided, ranging from the unloading, storage, shipment and delivery of supplies to handling of telephone calls.

September 2019 Typhoon Faxai (Reiwa 1 Boso Peninsula Typhoon)

A large typhoon that was one of the strongest on record struck the Kanto region on September 9, 2019. At the request of the Ministry of the Environment and other entities, 30,000 bottles of drinking water in addition to relief supplies such as cardboard beds, tarpaulins, sandbags and food were transported to disaster-affected areas in Chiba prefecture, which suffered particularly severe damage.



Fulfilling the social mission of logistics even during emergencies

Yamamoto The basic premise of our goal is that logistics never stops. In the Han-Shin Awaji Earthquake disaster, we learned that restoring operations as quickly as possible is important for supporting people affected by the disaster and also for fulfilling our social responsibility to provide infrastructure. When the Great East Japan Earthquake occurred, we were able to restore some services in one week, so this has become a yardstick for us. Utilizing our logistics know-how in disaster-affected areas to conduct the smooth management and delivery of supplies and to communicate the necessary information on supplies are important roles.

Maejima In recent years, we have provided support to Mihara City in Hiroshima, which was damaged by the heavy rainfall in Western Japan in July 2018, and Chiba Prefecture, which was damaged by Typhoon Faxai in September 2019. When Typhoon Faxai happened, the teamwork of GOAL (see page 16) enabled us to transport 30,000 bottles of drinking water to six cities in Chiba four days after receiving a request, and other items such as cardboard beds and tarpaulins to prefectural and municipal offices five days after receiving the request. When Typhoon Hagibis occurred in October the same year, we were able to conduct relief activities as well as collection and delivery operations from the day after the typhoon because of the excellent preparations made by sales offices from the BCP*1 perspective of not halting logistics business as a designated public corporation*2.

Yamamoto In 2016, the Company became the first in the transportation industry to receive "Resilience Certification" and also became the first in the industry to receive three stars in February 2020. We will continue to work to improve and strengthen resilience.

*1 BCP: Business Continuity Management.

*2 Designated public corporation: A corporation, etc. operating a business in the public interest that has been designated by the Prime Minister under the Basic Act on Disaster Management.

October 2019 Typhoon Hagibis (Reiwa 1 East Japan Typhoon)



On October 12, 2019, a large typhoon caused record-breaking heavy rainfall over a wide area spanning the Kanto, Koshin and Tohoku regions. At the request of Miyagi Prefectural Government, with which an agreement was concluded in April that year, relief supplies were transported to the town of Marumori, and support was provided for the Last One Mile by handling regular deliveries from the town's gymnasium to evacuation sites.

After suffering the disaster in October, Marumori accepted relief supplies from nationwide, including push-type support, and faced substantial issues in the management of the large quantities of supplies that arrived and the arrangement of personnel and vehicles. The SG Holdings Group urgently arranged the personnel and vehicles that had been an issue, and also utilized its existing know-how to organize the management of supplies, reducing the work required by personnel involved in the arrangement of supplies, which enabled them to focus on restoration activities including the arrangement of temporary housing.

Norikazu Sato
Assistant Director, Health and Welfare Department,
Marumori Town Office

*Emergency transportation of relief supplies by the national government without waiting for a request from the affected area



Takehito Yamamoto
Assistant Manager,
Risk Management Section,
CSR Promotion Department,
Sagawa Express



Junichi Maejima
Assistant Manager,
Risk Management Section,
CSR Promotion Department,
Sagawa Express



Climate Change

FACT

Completely eliminate CO₂ emissions* caused by humans to **limit warming to +1.5°C**

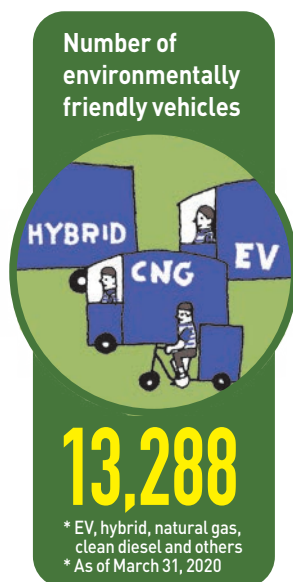


The future achieved with SDGs >> An environment in which convenient cities that are economically advanced coexist with nature. Aiming to realize future cities that people have continued to dream of.

○ We are engaged in the promotion of environmentally friendly business

Electric vehicles (EVs) are becoming more widespread worldwide, and with the entry of leading truck manufacturers, the introduction of EVs is also spreading for trucks that are the cornerstone of logistics. Meanwhile, numerous issues need to be resolved before they become truly widespread. Logistics is an industry that supports economic growth while also needing to face measures to address climate change at the same time. The SG Holdings Group is steadily implementing the action it can take to address this problem, which is also unavoidable when considering business sustainability.

As of now, the Group has introduced more than 13,000 environmentally-friendly vehicles including hybrid, natural gas and electric trucks. In addition, the Group is promoting environmentally friendly business such as implementing a modal shift by switching the mode of transportation to trains and ships with a lower environmental burden, curbing the



use of energy in distribution warehouses and other business facilities, improving the efficiency of logistics by utilizing transfer centers and Sagawa Distribution Centers (SRC), and performing collection and delivery using bicycles and dollies from the nearest service center. We will continue to contribute to balancing economic development and reduction of environmental burden through the improvement of logistics efficiency and the utilization of a variety of technology.



Sagawa Express supports the Eco Rail Mark, which is an initiative aimed at environmentally friendly railway transportation. Super Rail Cargo express railway container cars have been operated since 2004.

* Prepared by modifying elements of the Ministry of the Environment "2019 White Paper" (<https://www.env.go.jp/policy/hakusyo/r01/html/hj19020101.html>)



Toward **the realization of a carbon-free society through business**

Limiting the increase in the average temperature to +1.5°C compared to prior to the Industrial Revolution. It has been reported that man-made CO₂ emissions must be eliminated by around 2050 in order to hit this target agreed upon in the Paris Agreement that is required to be achieved in synergy with SDGs. We are also accelerating our efforts to achieve this lofty goal.

Electric trucks
contributing to the realization
of a carbon-free society

Electric trucks with zero exhaust gas have been trialed since 2019



“They are also highly regarded by drivers as being easy to drive”

Masashi Kobayashi
Assistant Manager,
Safety Promotion Section,
Safety Promotion Department,
Sagawa Express Co., Ltd.



“Electric trucks with zero exhaust gas also have an overwhelming environmental advantage”

Hiroshi Takeshita
Manager,
Environmental Section,
CSR Promotion Department,
Sagawa Express Co., Ltd.

Kobayashi Strengthening environmental initiatives involved the introduction of natural gas trucks from the 1990s, and we began introducing electric trucks in 2012. The use of compact electric vehicles such as light vehicles and 1-ton vans is progressing, and we also implemented trials of electric trucks quite early within the industry. We are carefully verifying their use as well.

Takeshita As a company that uses many vehicles, we have very high expectations of EVs’ ability to resolve environmental problems such as exhaust gas, noise and vibration. In particular, we believe these vehicles can contribute to the realization of a carbon-free society because they eliminate the CO₂ emissions that are a cause of global warming.



We are conducting verification of electric trucks said to be more technologically advanced and requiring time to become widespread. >>>

Breakdown of environmentally friendly vehicles (Japan)

*As of March 31, 2020

- EV 19
- Hybrid 1,801
- Natural gas 2,259
- Clean diesel 9,209

Total **13,288**



● **Hybrid truck**

Better fuel consumption and fewer CO₂ emissions than a normal diesel vehicle.



● **Natural gas truck**

Few CO₂ and NO_x (nitrogen oxide) emissions, and no PM (particulate matter) emissions at all.



“TRIKE CARGO”,

a new type of electrically assisted pickup/delivery vehicle

In August 2020, Sagawa Express fully implemented the “TRIKE CARGO” electrically assisted towing-type bicycle that was trialed in March 2019. It has a maximum load of 150 kg*, enabling many packages to be carried at once and contributing to both the reduction of environmental burden and improvement of work efficiency.

*In the case of Tokyo and some other areas (varies depending on local ordinances of each prefecture, etc.)

Efforts by Group companies to

Sagawa Express

Recycling PET bottles as eco-friendly uniforms

During the period from fiscal 2002 until fiscal 2019, Sagawa Express has recycled approximately 14.6 million PET bottles in approximately 3.1 million eco-friendly uniforms (manufactured by Mizuno Corporation). We are addressing environmental issues such as ocean pollution caused by waste plastic.



Support for direct sales channels from agricultural producers

Along with Nousouken Corp., we provide support for the expansion of direct sales channels from agricultural producers. Collection sites for agricultural shipments have been set up utilizing Sagawa Express facilities in three locations in Nagano and Yamanashi prefectures. This is contributing to the revitalization of agriculture and farming villages in hilly and mountainous areas. *As of July 2020



Sagawa Global Logistics

Environmentally friendly "Bio Risu Palettes"

"Bio Risu Palettes" reduce CO₂ emissions during manufacturing by adding biomass plastic to the raw materials used. (Gifu Plastic Industry Co., Ltd.) 745 of these are used in the latest X FRONTIER logistics facility, contributing to a 1,883 kg reduction in CO₂ emissions.



SG Assetmax

The first logistics facility to obtain biodiversity certification

In May 2020, Sagawa Tokyo Logistics Center became the first logistics facility to be certified under the Japan Habitat Evaluation and Certification Program performing quantitative evaluation of initiatives contributing to the protection and restoration of biodiversity. Contributions are being made to biodiversity in urban areas and urban greenery.



Sagawa Humony

"Original Telegrams" an industry first services

"Original Telegrams" are an industry first in evolved telegram services enabling companies to use telegrams with unique designs according to their objectives and applications. This is aimed at stimulating communication in a variety of situations by creating new value for telegrams in an age of information overload.



SG Moving

"SG-ARK" for a recycling-oriented society

The "SG-ARK*" system was started for matching collection and transport contractors with retailers nationwide for televisions, refrigerators, washing machines (clothes driers) and air conditioners which retailers are required to collect under the Home Appliance Recycling Act. This is contributing to the promotion of a recycling-oriented society.

*Started in July 2020. Business patent pending.



World Supply

Internal logistics operations for department stores

World Supply received the first contract from a department store for unified management of the delivery of goods from suppliers to the relevant parts of the sales floor once they are unloaded at the "Daimaru Shinsaibashi Main Building." The environmental burden will be reduced while ensuring surrounding safety by addressing the issues of optimizing complex delivery formats and alleviating congestion of the unloading area when delivering goods.



SGH Global Japan

"2020 Excellent Health Management Corporations"

SGH Global Japan was recognized among the "2020 Excellent Health Management Corporations" for considering and implementing administration of employee health from a corporate management perspective. The company is conducting health promotion activities such as subsidizing women's health examination expenses, supporting efforts to quit smoking and reducing stress through staggered working hours.



SG Realty

Plans to install charging facilities

SG Realty is engaged in the installation of rapid charging and normal charging equipment essential for the introduction of electric vehicles. Some will be normal chargers equipped with converters, enabling the batteries of electric vehicles to be used as emergency power supplies in the event of a power outage.



SG Fielder

Job centers for new employment opportunity

SG Fielder, which operates a temporary staffing business, established new job centers in Namba (Osaka), Kamata (Tokyo) and Shizuoka (Shizuoka), bringing the total number to 18 nationwide. This contributes to the creation of jobs through the provision of employment opportunities.



address SDGs



Initiatives to address SDGs are also being carried out in a variety of other fields within the Group. Some topics from Group companies are introduced below.

Sagawa Advance

“White 500” for the second year in succession

Sagawa Advance was chosen in the “Health & Productivity Management Outstanding Organizations Recognition (White 500)” recognizing the top 500 companies engaged in high-quality initiatives for employee health for the second year in succession. The company is creating an environment in which employees can fully exhibit their capabilities.



SG Motors

Cold chain support project in Vietnam

Along with the Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development, SG Motors is participating in a project to supply vehicle-mounted refrigeration equipment required for the cold chain in Vietnam. The company is contributing to the rapid economic growth of Vietnam by utilizing the logistics technology it has developed in domestic operations.



SG Systems *Sagawa Financial and SG Expert were integrated into SG Systems on October 1, 2020

“Biz-Fleet” cloud-based driving management system

The “Biz-Fleet” cloud-based driving management system supporting digital driving records of multiple manufacturers has been introduced in the sales offices of Sagawa Express. The efficiency of operations is improved through the utilization of “IT roll calls” in which roll calls are remotely performed by operation managers and drivers.



“Child Raising Supporter Company” (former Sagawa Financial)

Sagawa Financial promoted taking childcare leave and nursing care leave, and introduced a work from home system to ensure the work-life balance of employees. It was recognized as a “Child Raising Supporter Company.”



Friendly work environment (former SG Expert)

SG Expert obtained four stars in the “N-pika” system in which Nagasaki Prefectural Government recognizes companies that practice the creation of appealing workplace environments in Nagasaki Business Support Center.



Nouvelle Golf Club



Coexistence with the community and nature

Nouvelle Golf Club expanded the ponds on the course during renovations to provide measures to address flooding in the region to serve as regulating ponds and to strengthen measures to provide water supply to rice paddies in the event of a drought. The forest is also being protected through steps such as tree planting and thinning.

Sagawa Forestry



Forest preservation in Sagawa Forests

Sagawa Forestry conducts business in approximately 700 ha of Sagawa Forests owned in Kochi and Tokushima prefectures with the mission of “protecting the forest cycle.” In addition to forest preservation, the company is contributing to maintaining the public utility of forests and the prevention of their deterioration through the promotion of the utilization of timber.

Overseas subsidiaries



Tree-planting in Bundala National Park (Sri Lanka)

Expolanka Freight in Sri Lanka is conducting tree-planting activities in a national park. The company aims to revitalize the dilapidated park by planting 125,000 trees over five years, and is creating jobs related to preservation of biodiversity and maintenance after planting the trees.



We welcome your feedback

The SG Holdings Group discloses the Company’s initiatives aimed at SDGs and sustainability, and aims to achieve meaningful communication with stakeholders. We ask that you send your feedback to the following email address in order to enable us to receive a wide range of opinions to improve the content of this report in future.

PR&CSR Unit in the General Affairs Department, SG Holdings Co., Ltd. group-csr@sg-hldgs.co.jp

Communication through Websites

The SG Holdings Group communicates corporate information, business activities, etc. to stakeholders through a variety of media such as websites.

SG Holdings Corporate Site

<http://www.sg-hldgs.co.jp/english/>

Investor Relations

<http://www.sg-hldgs.co.jp/english/finance/>

URLs of Companies in the SG Holdings Group

- Sagawa Express Co., Ltd.
<https://www.sagawa-exp.co.jp/english/>
- Sagawa Humony Co., Ltd. (Japanese)
<http://www.humony.co.jp/>
- SG Moving Co., Ltd. (Japanese)
<https://www.sagawa-mov.co.jp/>
- World Supply Co., Ltd. (Japanese)
<https://www.world-supply.co.jp/>
- Sagawa Global Logistics Co., Ltd. (Japanese)
<https://www.sagawa-logi.com/>
- SGH Global Japan Co., Ltd.
<https://www.sgh-globalj.com/english/index.html>
- Expolanka Holdings PLC
<https://www.expolanka.com/>
- SG Realty Co., Ltd. (Japanese)
<http://www.sg-realty.co.jp/>
- SG Assetmax Co., Ltd. (Japanese)
<https://www.sg-assetmax.co.jp/>
- Sagawa Advance Co., Ltd. (Japanese)
<https://sg-advance.co.jp/>
- SG Motors Co., Ltd. (Japanese)
<http://www.sg-motors.co.jp/>
- SG Systems Co., Ltd. (Japanese)
<https://www.sg-systems.co.jp/>
- SG Fielder Co., Ltd. (Japanese)
<https://www.sg-fielder.co.jp/>
- Nouvelle Golf Club Co., Ltd. (Japanese)
<http://www.nouvelle-gc.co.jp/>
- Sagawa Forestry Co., Ltd. (Japanese)
<http://www.sg-hldgs.co.jp/sagawa-fore/>

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* The period covered is stated separately if it differs.