

# **Hirogin Group**

## **SDGs/ESG initiatives to date**

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**Hirogin Holdings, Inc.**

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 ひろぎんホールディングス

**October 2020**

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# Public communication on initiatives/external evaluations

- ◆ The Hirogin Group has issued an SDGs statement and its Policy on Investment and Financing for Environmental and Social Solutions as public statements of its commitment to realizing a sustainable environment and society through its high-value-added regional comprehensive services.
- ◆ In a sign indicating recognition of the Group's efforts, our MSCI ESG rating rose one tier from 2018 to BBB.

## The Hirogin Group SDGs statement

To achieve the Sustainable Development Goals (SDGs) adopted by the United Nations, the Hirogin Group will contribute to solutions to social and environmental challenges in our community and to sustainable growth by **providing high-value-added regional comprehensive services.**



## Policy on Investment and Financing for Environmental and Social Solutions

**The Hirogin Group takes a proactive approach to supporting projects that contribute to sustainable environments and society**, including initiatives to mitigate climate change risks, including renewable energy projects targeting a post-carbon society, and initiatives to protect biodiversity, including conservation of forestry resources and endangered species.

### Businesses and projects subject to this Policy

- (1) Businesses for which investment and finance are prohibited**
- ① Businesses involved in the development and manufacture of inhumane weapons such as nuclear weapons and cluster bombs
  - ② Businesses involved in human trafficking and other violations of human rights, or forced labor
  - ③ Businesses involving in the construction of new coal-fired power plants  
However, careful consideration may be given to such initiatives on an exceptional basis, through careful and comprehensive consideration of matters such as the background and distinguishing features of each project, based on each country's energy policies and circumstances and international guidelines such as the OECD Arrangement on Officially Supported Export Credits. This prohibition does not apply in unavoidable cases, including response to disasters or other emergencies. In addition, support is provided for advanced eco-friendly technologies such as carbon capture and storage, as initiatives to help reduce greenhouse gas emissions.
- (2) Projects supported proactively**
- ① Renewable energy projects targeting a post-carbon society and other initiatives to mitigate climate change risks
  - ② Initiatives to protect biodiversity, including conservation of forestry resources and endangered species

## Adoption by ESG indices



### MSCI Japan Empowering Women Index (WIN)

- Identifies companies with outstanding gender diversity and positioned to withstand future labor shortages.

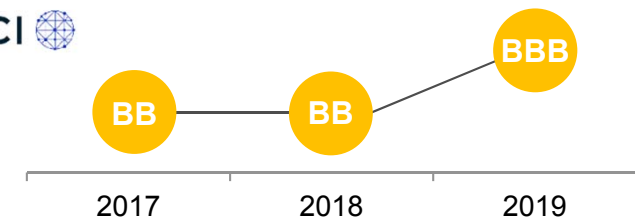
2018 Constituent  
MSCI Japan Empowering  
Women Index (WIN)



### S&P/JPX Carbon Efficient Index

- Identifies companies that fully disclose environmental information and have high levels of carbon efficiency.

## Trend in MSCI ESG rating\*



In recognition of the Bank's efforts, our ESG rating from MSCI rose one tier since last year to **BBB**.

\* MSCI ESG rating:  
Rating by MSCI of corporate ESG risk and related risk management on a scale from AAA to CCC

# SDGs/ESG initiatives to date

- ◆ As, in addition to contributing to the sustained growth of the local economy, the Hirogin Group as a trusted regional comprehensive services group seeks to increase its value by winning the trust of stakeholders through proactive activities across a broad range of areas, including social contributions and environmental protection.

	-2015	2016	2018	2019	2020–
Overall				<ul style="list-style-type: none"> <li>July 2019 <b>Publication of integrated report</b></li> <li>September 2019 <b>Announcement of the Hirogin Group SDGs statement</b></li> </ul>	<ul style="list-style-type: none"> <li>August 2020 <b>Announcement of Policy on Investment and Financing for Environmental and Social Solutions</b></li> </ul>
Environmental	<ul style="list-style-type: none"> <li>2010- <b>Hirogin no Satoyama planting/improvement activities</b></li> </ul>		<ul style="list-style-type: none"> <li>2018- <b>Listed on S&amp;P/JPX Carbon Efficient Index</b></li> </ul>	<ul style="list-style-type: none"> <li>February 2019- <b>Launch of Smart-e passbook-free accounts</b></li> <li>February 2019 (March 2020) <b>Selected as White 500 company</b></li> </ul>	<ul style="list-style-type: none"> <li>March 2020 <b>Announces support for TCFD recommendations.</b></li> <li>February 2021 (planned) <b>Completion of new Head Office building</b></li> </ul>
Social		<ul style="list-style-type: none"> <li>April 2016 <b>Participation in Setouchi DMO</b></li> <li>2017- <b>Listed on MSCI Japan Empowering Women Index</b></li> </ul>	<ul style="list-style-type: none"> <li>February 2018 <b>Private REIT formed</b></li> <li>October 2018 <b>Setouchi Brand Corporation concludes subcontracting agreement with Hilton Hotels.</b></li> </ul>	<ul style="list-style-type: none"> <li>May 2019 <b>Acceptance of applications for Hiroshima Open Accelerator begins.</b></li> <li>September 2019 <b>Investment in green bonds</b></li> <li>September 2019 <b>Selected as ESG financial promotion project</b></li> </ul>	<ul style="list-style-type: none"> <li>January 2020 <b>Start of support services for SDGs-related initiatives</b></li> <li>April 2020 <b>Investment in fund authorized by Hiroshima University and other organizations</b></li> </ul>
Governance	<ul style="list-style-type: none"> <li>June 2015 <b>One outside director (female) appointed</b></li> <li>December 2015 <b>Compensation and nomination advisory committees established</b></li> </ul>	<ul style="list-style-type: none"> <li>June 2016 <b>One outside director added</b></li> </ul>	<ul style="list-style-type: none"> <li>June 2017 <b>Stock-based compensation system for directors and executive officers adopted</b></li> </ul>		<ul style="list-style-type: none"> <li>October 2020 <b>Migration to holding-company structure (Company with an audit and supervisory committee)</b></li> </ul>

# Environmental protection initiatives



## Environmental

- ◆ Implementing proactive environmental protection initiatives through the financial business, in addition to efforts within the Group to reduce environmental impact and contribute to environmental conservation

### Declaration of support for and disclosure related to TCFD recommendations

We declared our support for TCFD recommendations to strengthen response to climate change and to enhance disclosure of information related to the risks and opportunities posed by climate change. We disclose information related to these recommendations in the Integrated Report.



#### TCFD\* recommendations:

Published in June 2017, the TCFD is a framework intended to enable the appropriate evaluation of corporate risks and opportunities related to climate change by investors.

\* Task Force on Climate-related Financial Disclosures

### Building a new eco-friendly Head Office building

The new Head Office building will be an eco-friendly office building incorporating various state-of-the-art environmental technologies, including eco-void spaces intended to enhance the effects of natural ventilation and landscaping in terraces, rooftops, and other areas.



#### Slated for completion in February 2021

【 Other main features of the building 】

- ❑ Installation of piling space in building entrance
- ❑ Installation of monument to those killed by the atomic bombing
- ❑ Aseismic building structure and supplies of fuels for emergency generators (for use as evacuation center)

### Plant seedling and forest improvement activities at Hirogin no Satoyama

Executives and employees plant seedlings and carry out forest improvement activities at Hirogin no Satoyama as part of efforts to protect the natural environment of our home region



#### <<Details of activities>>

2010–2014

Seedling planting activities: Planted a cumulative total of 1,530 seedlings over the five years

2015–2019

Forest improvement activities: These activities continue every year.

### Environmental protection initiatives through business activities

#### ① Investing in Green Bonds

Purchasing JHFA Green Bonds issued by the Japan Housing Finance Agency  
⇒ Contributing to further progress in adopting housing with high energy performance



住宅金融支援機構  
Japan Housing Finance Agency

#### Green Bonds:

Bonds issued to raise funds for projects expected to lead to environmental improvements through use of renewable energy and improvements in energy conservation

#### ② Adoption by ESG finance promotion programs

The Bank has been named a designated financial institution under the Ministry of the Environment's ESG Regional Finance Interest Subsidy Program and a supporting institution under the Ministry's ESG Regional Finance Promotion Program.

##### ESG Regional Finance Interest Subsidy Program

Supporting and promoting ESG initiatives by local firms and investment in the environmental field

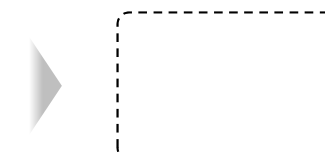
⇒ Began offering **Hirogin Eco Harmony (a plan employing the ESG interest subsidy system)**

##### ESG Regional Finance Promotion Program

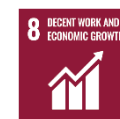
Considering adoption of business potential evaluation, taking into consideration ESG factors for automotive suppliers

#### ③ Hiroshima Bank Smart-e passbook-free accounts

Promoting paperless banking by offering accounts for which no passbooks are issued



# Efforts to stimulate local communities and industries



**Social**

- ◆ Striving to realize a sustainable society through various efforts, including proactive support for SDGs-related initiatives among local firms and provision of equity services to stimulate local economies

## Promoting and supporting local SDGs-related initiatives

### ① Introducing services to support SDGs initiatives

Checking on customer SDGs initiatives, providing returns, and publishing information on initiatives if so requested



Supporting customers  
in formulating  
statements related to  
SDGs

Statements handled  
(Actual results for January-September 2020)

105

### ② Bank-guaranteed private placement bonds (SDGs bonds)

Donations and contributions of up to 0.2% of the issued amount of private placement bonds, intended to contribute to local communities, and public relations concerning issuing firms' SDGs initiatives

Number of cases/amount  
(Actual results for November 2019 – September 2020)

55 issues/  
approx. 6.5 billion yen

### ③ Preparation and distribution of handbooks on SDGs

In addition to helping employees learn more about the SDGs, helping to raise awareness of SDGs within the community through distribution of handbooks to customers

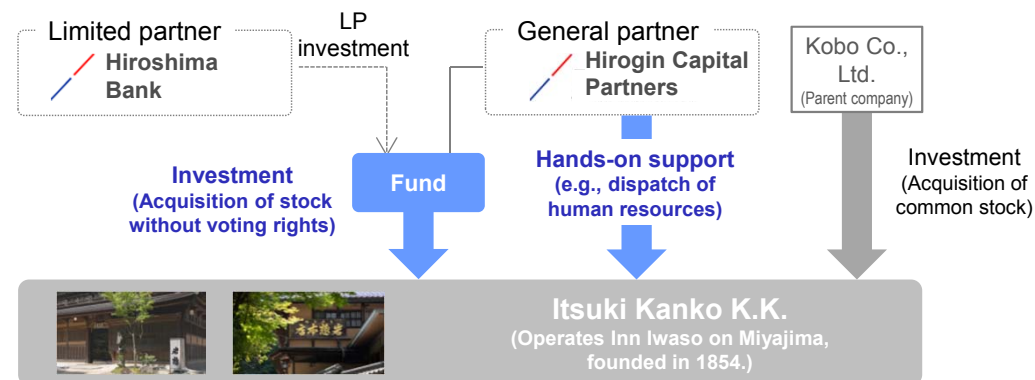
HIRUGIN



Raising awareness  
of SDGs within the  
community

## Support for community revitalization through investments in local firms

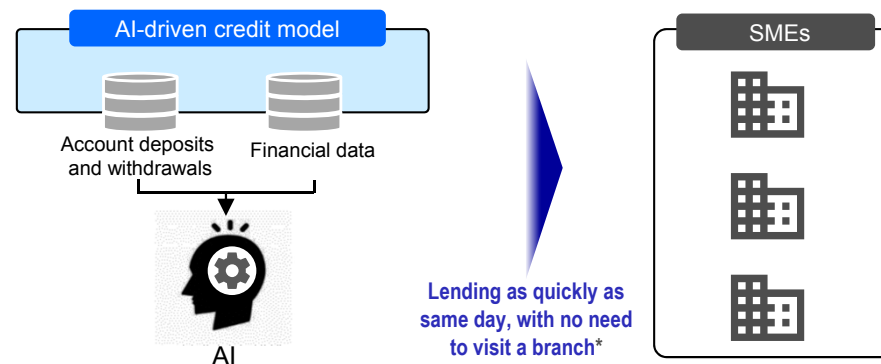
In addition to helping to strengthen the financial foundations of customers impacted by COVID-19 by providing equity investments through a fund managed by Hirogin Capital Partners, providing support transcending current partner support frameworks through Groupwide initiatives, including dispatch of human resources.



## Creation of business finance products based on artificial intelligence (AI)

Accelerating response to SME funding needs through the development and application of credit models based on AI analysis of account deposits, withdrawals, and other financial data

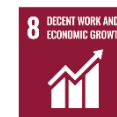
□ Hirogin Accel Business Loans



\* Subject to satisfaction of conditions specified by the Bank



# Community creation initiatives



Social

- ◆ Stimulating the tourism industry through active tourism promotion efforts in cooperation with local governments and tourism businesses
- ◆ Proactively supporting urban renewal through various efforts, including the formation of a private REIT and the Head Office rebuilding project

## Efforts to stimulate the tourism industry

### ① Participation in Setouchi DMO\*



Supporting product development, business expansion by tourism-related businesses, and other efforts including building cruise ships and remodeling old homes into lodgings and other facilities

#### Enhancing cooperation to stimulate tourism in the Setouchi region

\*DMO: A destination management organization intended to stimulate tourism in the area

### ② Attracting a world-class hotel brand



Setouchi Brand Corporation, to which the Bank provides investment and staff, draws Hilton Hotels to the region.

Plans call for the Hiroshima Hilton, the first in the Chugoku-Shikoku region, to open in FY2022.

### ③ Participation in regional trading company business



Contributing to stimulation of the local economy through participation in the regional trading company business, which strives not just to sell local specialty products, but to attract visitors to the region

Exploiting new businesses including undertaking administrative operations of the rest house in the Hiroshima Peace Memorial Park

## Initiatives to support urban redevelopment

### ① Forming a private REIT\*



Forming a private REIT to invest in local real estate subject to redevelopment and rebuilt properties

#### First regional bank to establish REIT operating subsidiary

\* Private REIT: A real estate investment trust intended for professional investors, including institutional investors and financial institutions

### ② Financing local real estate development



Responding to public- and private-sector demand through proactive investment in urban renewal projects

Supporting redevelopment in the central Hiroshima district, officially named a designated area urgently requiring urban renewal

### ③ Hiroshima Bank Head Office rebuilding project



Installing event spaces, cafes, and other attractions to help simulate central Hiroshima and create a bustling venue where the community can gather

Authorized as private sector urban redevelopment project

# Community contribution activities, health management, and other initiatives



Social

- ◆ We support the Hiroshima Symphony Orchestra, the region's representative sports teams, and other local organizations.
- ◆ We promote health management and diversity to foster a corporate culture in which employees can continue to work with vitality.

## Support for community sports and cultural activities

### ① Hiroshima Museum of Art Foundation

Promotes culture by communicating information on art, including activities at the Hiroshima Museum of Art and support for numerous art exhibitions.



### ② Hiroshima Symphony Orchestra

We support the orchestra's activities in various ways, including sponsoring Hirogin Tomorrow Concerts.



### ③ Hiroshima Toyo Carp • Sanfrecce Hiroshima

We join with other local companies in supporting teams, attending games, and hosting sponsored matches.



## Health and productivity management initiatives

### ① White 500 Companies

For the second year in succession Hiroshima Bank has been selected as a top health and productive management company by inclusion on the White 500 list.

#### 【 Main initiatives 】

#### ❑ Efforts for keeping and enhancing health

Establishing new program to assist with the cost of quitting smoking to reduce cancer rates and implementing a comprehensive health checkup program for those in certain age brackets (covering the entire cost of comprehensive health checkups for employees at designated ages)

#### ❑ Creating a pleasant workplace with job satisfaction

Implementing measures related to workstyle reforms, including work styles that do not assume employees will work overtime

#### ❑ Promoting close relationship with and contribution to the regional community

Promoting health management at regional community through the Hirogin health management evaluation loan program and other efforts



#### White 500 Companies -Certified Outstanding Health and Productivity Management-

List of companies chosen by Nippon Kenko Kaigi for outstanding health and productivity management based on efforts tailored to local issues and health improvement measures promoted by Nippon Kenko Kaigi

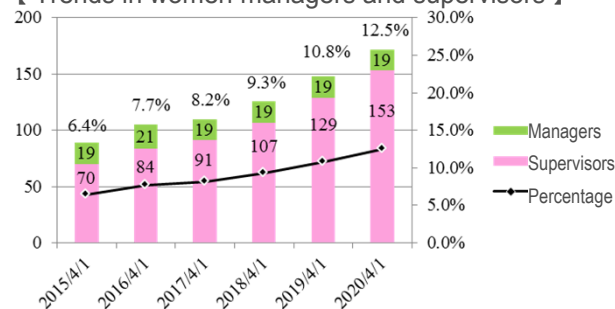
### ② Employee attitude survey

Surveying employee job satisfaction and workplace engagement to realize positive and rewarding workplaces

## Supporting careers for women

Revising programs to boost a healthy work-life balance through shorter work hours; supporting active careers for employees caring for children and family members

#### 【 Trends in women managers and supervisors 】

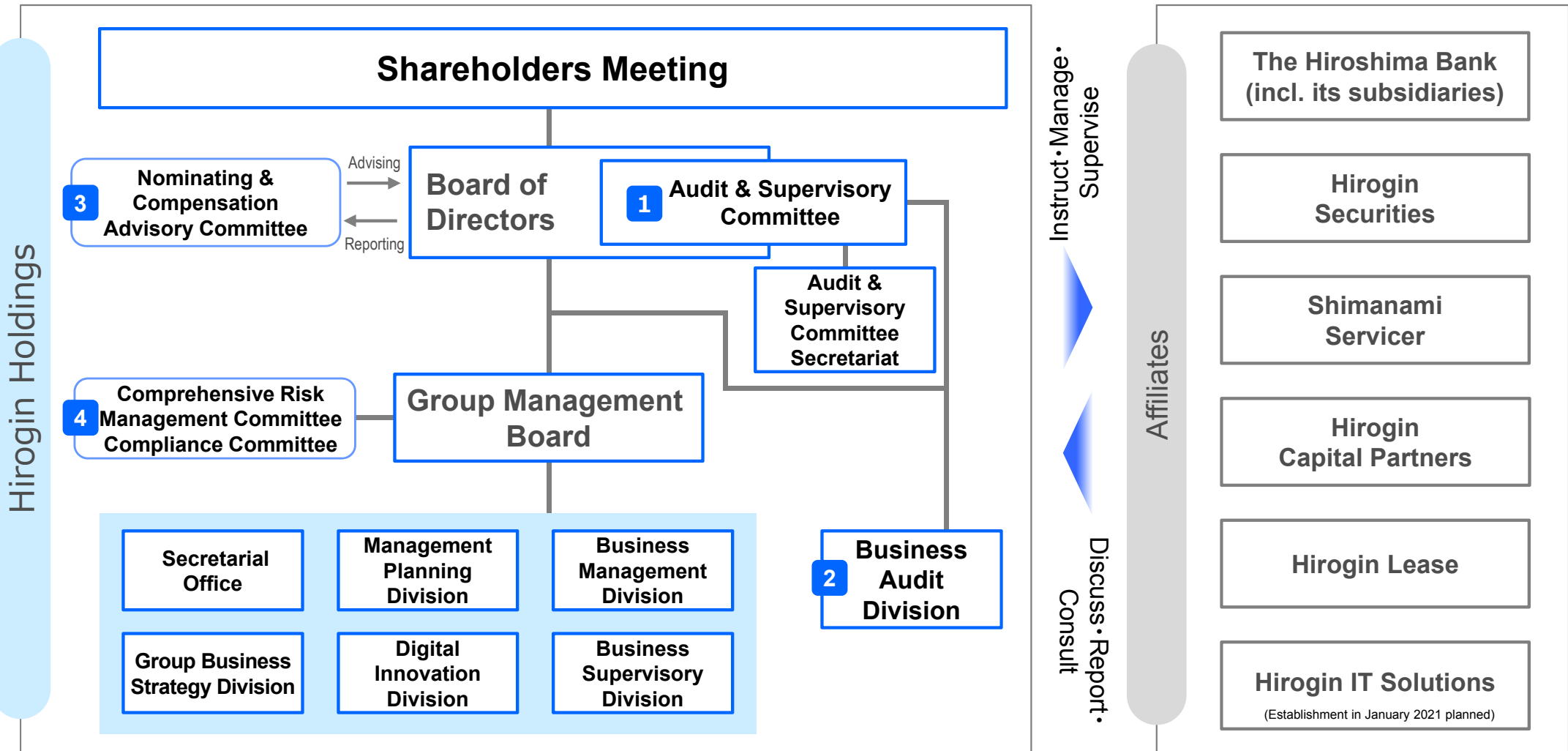


Organizing skills improvement seminars, opportunities to interact with individuals in other industries or careers, and other programs to encourage and inspire women employees in advancing their careers



- ◆ Hirogin Holdings will be a company with an audit and supervisory committee. In addition to strengthening governance and swift and efficient decision-making, Hirogin Holdings will establish effective group governance by focusing on managing and supervising group management.

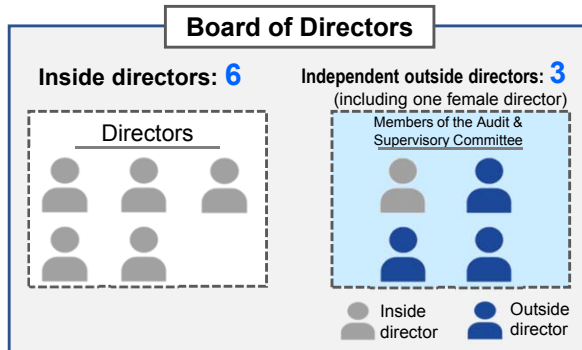
Chart of the corporate governance system under the holding company structure



See next page for detailed information.

## 1 Establishing Audit & Supervisory Committee

Achieving an efficient business management structure by adopting the format of a company with an audit and supervisory committee to realize enhanced governance and responsive decision-making by separating management supervision and business execution functions



<Distinguishing features of a company with an audit and supervisory committee>

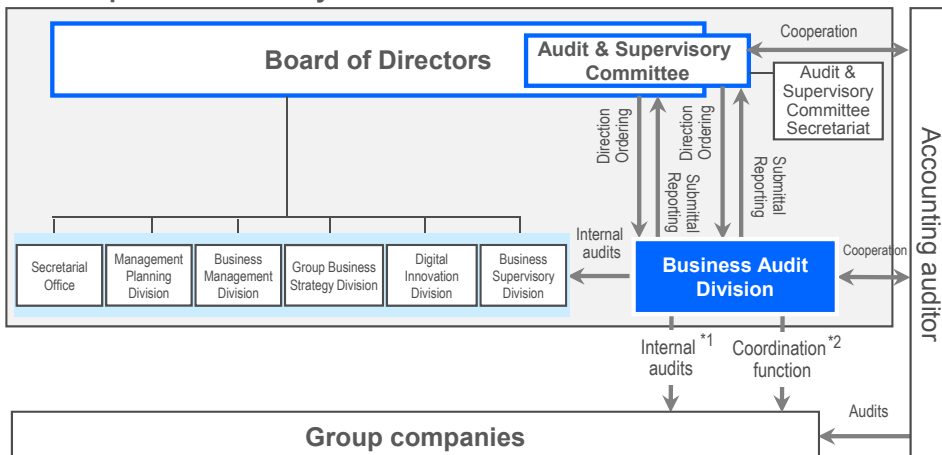
- Committee members have decision-making authority as Directors.
- Realizes a systematic auditing structure in cooperation with internal auditing sections.
- Authorized to offer opinions on executive personnel decisions and compensation

\* In principle, outside directors are drawn from those who satisfy the Company's Standards for Judging the Independence of Outside Directors.

## 2 Developing a Group internal audit structure

Building a structure in which internal auditing sections support not just the Board of Directors, but the Audit & Supervisory Committee, thereby empowering the Audit & Supervisory Committee to undertake systematic and highly effective audits through the internal controls system.

### Group internal audit system



\*1 In addition to audits by individual Group member companies, the holding company implements overall Group audits from a management perspective.

\*2 Efficacy is verified based on a common Groupwide perspective through the formulation of the Group internal audit plan.

## 3 Establishing Nominating & Compensation Advisory Committee

Independent outside directors account for the majority of members sitting on the Nominating & Compensation Advisory Committee. The Committee was established to ensure transparency and objectivity in decisions related to executive compensation for major Group member companies, including the holding company.

### Structure of the Nominating & Compensation Advisory Committee

Nominating & Compensation Advisory Committee	Total membership	Inside directors	Outside directors	Chairperson
Members	5	2	3	Inside directors

## 4 Establishing an organizational structure for integrated risk management

With the full involvement of the Board of Directors, an organizational structure for risk management independent of Group member companies has been established to ensure appropriate instruction, management, and supervision and to comprehensively identify various risks posed by the Group's businesses activities.

### Organizational structure for integrated risk management

