

HTS Group Sustainability

At the HTS Group, we are all about treating people and nature with great respect. In this connection, our fundamental policy is to do our part to help create an affluent society through fair business practices, as we boost our value for all of our stakeholders.

HTS Group's Stakeholders

The HTS Group manages and maintains its business activities through interaction with our broad array of stakeholders including customers, shareholders, local communities, and local administrations.

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 contribute to achievement of SDGs in cooperation with our various stakeholders.

Sustainability Promotion Structure

In order to promote sustainability on a group-wide level, the Group has set up the "Sustainability Promotion Committee," chaired by Senior Vice President and Executive Officer, General Manager of Corporate Strategy Office, and holds meetings regularly.

Recognition of Social Responsibility: Material Issues

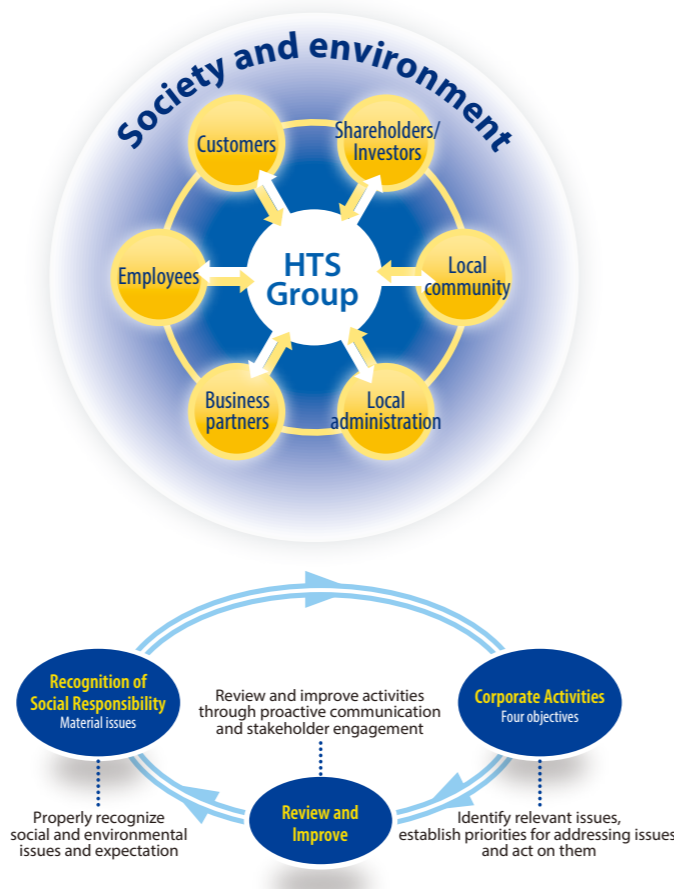
Taking into consideration opinions of external experts, we understood and prioritized social/environmental issues and expectations to identify material issues in 2017 after assessment and examination for adequacy by CSR Promotion Committee (predecessor of the Sustainability Promotion Committee) and the management, as well as approval of the Executive Committee. With the recognition of the identified material issues as the social responsibility that the HTS Group should fulfill, we promote effective activities toward solving social issues.

Identification process

Step 1: Understood issues
With reference to global common standards including Global Reporting Initiative (GRI) guideline, ISO26000, UN Global Compact, SDGs, and priority issues in transportation sector by ESG rating agencies, we created a list of 73 items of relevant environmental, social and economic issues.

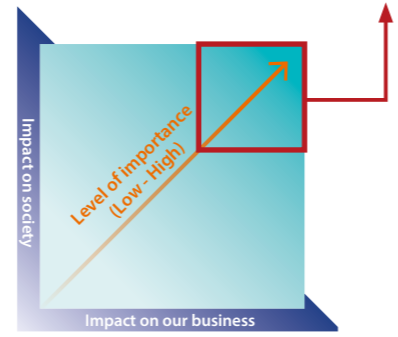
Step 2: Prioritized issues
We evaluated "impact on society" and "impact on the HTS Group's business" of the 73 issues on the list on a scale of one to five through workshops with external experts and mapped them in a matrix. Then, we categorized items with high impact into 15 proposed material issues.

Step 3: Validated and identified
After those 15 proposed material issues were assessed and examined for adequacy by CSR Promotion Committee and the management, taking into consideration opinions of external experts, they were identified as the Group's material issues with an approval of the Executive Committee.



Material issues

- Social**
Safe and healthy work environment (occupational Health and Safety)/ Social and environmental responsibility in supply chains (socially responsible procurement)/New technologies (creating/utilizing innovations and cutting-edge technologies)/Diversity and employee development/Job creation (promoting employment in the local community)/Dialog with employees (labor-management relations, collective bargaining)/Respect for human rights (addressing global human rights issues)/Quality and safety (service quality and safety)/ Environmentally and socially responsible logistics services
- Environment**
Carbon (decarbonization)/Stopping pollution/Renewable energy (use of clean energy)
- Governance**
Compliance/governance/BCP <including climate change adaptation>/ Information disclosure (operational transparency)



Corporate Activities: Four Objectives

To decide specific activities for the issues that we should address with priority, we developed four objectives based on the material issues with CSV viewpoint. In FY2018, the HTS Group set specific themes and relevant KPIs for each objective, based on which we are strengthening our initiatives using PDCA cycle since FY2019. ➔ P.77-78

Four objectives	Values created through the initiatives		
	Business value	Social/Environmental value	Closely related SDGs
CSV viewpoint 1 Reconciling needs, products, and customers Objective 1 Pursue Next-generation Industries and Lifestyles	<ul style="list-style-type: none"> Market cultivation with new business models Reduction in business costs 	<ul style="list-style-type: none"> Improvement of convenience Reduction in energy consumption Reduction in waste of raw materials 	SDG 5, 8, 9, 11, 12
CSV viewpoint 2 Redefining productivity in the value chain Objective 2 Enhance Occupational Safety and Productivity	<ul style="list-style-type: none"> Reduction in business costs Stable business operations Increase in employee engagement 	<ul style="list-style-type: none"> Solution of labor shortage Job creation for diverse human resources Reduction in transportation costs Traffic and road safety 	SDG 5, 8, 17
CSV viewpoint 3 Improving the local and regional business environment Objective 3 Ensure Excellent Quality and Resilience	<ul style="list-style-type: none"> Stable business operations Expansion of business opportunities 	<ul style="list-style-type: none"> Reduction in environmental load Disaster prevention and reconstruction support for local community 	SDG 9, 11, 13
Objective 4 Realize Decarbonized Business Processes	<ul style="list-style-type: none"> Reduction in business costs Reduction in compliance costs 	<ul style="list-style-type: none"> Reduction in environmental load 	SDG 7

Review and Improvement: Information Disclosure and Communication

We review and improve our activities through disclosure of ESG information and dialogues with stakeholders based on objectives. By repeating a cycle of Basic CSR Policy, we will promote effective activities toward a resolution of social issues and facilitate integration of sustainability and management.

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

Participation in International Initiatives

In 2020, the HTS Group signed the "UN Global Compact ("UNGC") advocated by the United Nations. The UNGC is a voluntary initiative to participate in creating a global framework for the sustainable growth. Participating companies and organizations are required to support the ten principles related to protection of human rights, elimination of unfair labour, response to environmental issues and anti-corruption, and take actions in their business activities. 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.



For details on sustainability, please visit our website.
<https://www.hitachi-transportssystem.com/en/profile/csr/sustainability/>

Four Objectives of the HTS Group and Key Performance Indicators (KPIs)

Closely related SDGs	Objectives	Themes	Initiatives	KPIs	HTS	Domestic	Overseas	Achievements/progress in FY2020 and evaluation for FY2020 targets/plans	Targets/plans for FY2021	Reference															
	1 Pursue Next-generation Industries and Lifestyles	(1) Promote total optimization of supply chain by making full use of advanced technologies	Enhancement of logistics platform	Type of SSCV-Safety functions	●	●	Enhanced the overall system performance by enhancing 7 types of functions such as vital signs alert	★★	Enhance the overall system performance by enhancing 7 types of functions such as immediacy of alert for drivers	P31-32/Website															
				Increase of EC platform centers	●	●	Completed functional verification of Kasukabe EC Platform Center with a view to increasing EC platform centers		Website																
				Number of cases of manufacturing/sales control support (demand forecast)	●	●	Conducted on-site PoC for the inventory and supply optimization solution (1case)/Introduced and developed the logistics forecasting tool at logistics sites (20 cases)		P86/Website																
				Expansion of use case of blockchain technology	●	●	Completed development of hypothesis for trade operations and PoC for accelerating payment of transportation cost		Website																
				Development of trainings that promptly meet business needs	●	●	Completed development of hypothesis for trade operations and PoC for accelerating payment of transportation cost		P9/Website																
		(2) Respond to local logistics needs and issues while further boosting response capability	Expansion of high-quality logistics services	Storage and transportation/delivery conforming to GDP Guidelines	●	●	Opened East Japan II Medical DC/Enhanced quality assurance through internal audit/Conducted transport tests with a view to building transport network conforming to GDP	Not subject to assessment	Enhance functions of medical DCs, and expand transportation conforming to GDP	P86/Website															
				Optimization/management of supply chains	On-site implementation of RFID system	●	●		Provided asset management solution service for experiential consumption using RFID system	P86/Website															
				Promotion of transportation of social infrastructure-related equipment	Transportation of social infrastructure-related equipment	●	●		Transported 3 finished subway cars from Japan to Vietnam	P86/Website															
				Enhancement of occupational Health and Safety management	Workplace accident index/frequency rate, severity rate	●	●		Frequency rate: 0.78(0) Severity rate: 0.019(0) *Inside the parentheses are non-consolidated figures	P14, 85/Website															
				Strengthening of transport safety management	Number of traffic accidents (those defined in Article 2 of the Transportation Safety Management Regulation)	●	●		Number of traffic accidents: None	P85/Website															
	2 Enhance Occupational Safety and Productivity	(1) Secure safety in operation and transportation	Enhancement of occupational Health and Safety management	Workplace accident index/frequency rate, severity rate	●	●	Frequency rate: 0.78(0) Severity rate: 0.019(0) *Inside the parentheses are non-consolidated figures	★★★	Reduce frequency rate/severity rate by enhancing initiatives such as safety educations, safety caravan, and introduction of safety technology	P14, 85/Website															
				Strengthening of transport safety management	Number of traffic accidents (those defined in Article 2 of the Transportation Safety Management Regulation)	●	●		Number of traffic accidents: None	P85/Website															
		(2) Minimize workload at logistics sites	Promotion of automation/labor saving in logistics centers	Expansion of the use of automated/labor-saving equipment	Ratio of female managers	●	●	Ratio of female managers: 4.9%	Not subject to assessment	Expansion of the use of automated/labor-saving equipment	P45-46/Website														
						Systematic development of female employees	Ratio of female managers	●		●	Ratio of female managers: 4.9%	P14, 87/Website													
		(3) Promote diversity of the workplace	Encouragement for male employees to take childcare leave	Rate of childcare leave taken by male employees	Rate of leave taken: 2.2%	●	●	Rate of leave taken: 2.2%	★★	Encourage group-wide initiatives such as to visualize achievements of the entire domestic group and follow up by executive meetings of each company	P87/Website														
												Rate of childbirth leave for prospective fathers taken	Rate of leave taken: 15.6%	●	●	Rate of leave taken: 15.6%									
												Reduction of overtime hours	Measures to reduce overtime hours	●	●	Reduced work hours by enhancing domestic group-wide initiatives such as to visualize achievements and follow up by executive meetings and by promoting working from home under the state of emergency (Average overtime in FY2020: 28.1h, a decrease of 0.5h year on year*)									
												Encouragement to take annual paid leave	Measures to take annual paid leave	●	●	Achieved zero violation of laws and regulations in the entire domestic group by enhancing initiatives to encourage employees to take paid leave for more than 5 days (No. of days and rate of paid leave taken in FY2020: 16.7 days and 69.8%*)									
												Dialogue through Logistics OPEX	Number of OPEX designers developed (by FY2020) Number of participants in the Digital Dialogue Café*3 (from FY2021)	●	●	Number of OPEX designers developed: cumulative 47									
												Implementation of social contribution activities for local community	Activities based on the social contribution activity guideline	●	●	Continued supports in 3 areas and initiated new supports in 2 areas based on the social contribution activity guideline									
Enhancement of compliance framework	Measures to enhance compliance											●	●	Conducted various education and compliance meetings as planned to spread the HTS Group Code of Conduct among employees											
Boosting information security level/management structure	Rate of attendance for information security training course											●	●	Attendance rate: 100%											
Strengthening of BCP system	Number of disaster response training implemented	●	●	Implemented once in Hokuriku area while taking measures to prevent the spread of COVID-19																					
	3 Ensure Excellent Quality and Resilience	(1) Pursue high quality logistics service	Enhancement of compliance framework	Measures to enhance compliance	●	●	Conducted various education and compliance meetings as planned to spread the HTS Group Code of Conduct among employees	★★	Implement measures to enhance compliance	P71/Website															
				Rate of attendance for information security training course	●	●	Attendance rate: 100%		P71/Website																
				Rate of targeted threat emails for simulation trainings opened	●	●	Open rate: 9.6%		P71/Website																
				Number of disaster response training implemented	●	●	Implemented once in Hokuriku area while taking measures to prevent the spread of COVID-19		P88/Website																
				Overseas BCP Caravan	●	●	Canceled to prevent the spread of COVID-19		P88/Website																
		(2) Consideration for disposal and emission	Promotion of resource recycling	Reduction of water consumption intensity per floor space	Intensity: down 6.1% year on year	●	●	Intensity: down 6.1% year on year	★★	Reduce intensity: down 1% from FY2020	Website														
												Green purchasing rate	Purchasing rate: 87.6%	●	●	Purchasing rate: 87.6%									
												Reduction of air pollutants	Ownership ratio of vehicles in compliance with environmental standards	●	●	Eco-friendly vehicle ownership ratio: 100% Ownership ratio of the advanced eco-friendly vehicles: 97%									
												Recycling rate	●	●	Recycling rate: 99.0%										
												Number of non-compliance with environmental laws and regulations	●	●	Number of non-compliance with environmental laws and regulations: 0										
(3) Contribution to disaster recovery assistance	Strengthening of BCP system	Dissemination of behavioral standard in the event of a disaster to employees	Distributed "Emergency Handbook" to all domestic group employees	●	●	Distributed "Emergency Handbook" to all domestic group employees	★★★	Disseminate "Disaster Initial Response Manual"	Website																
										Implementation of social contribution activities for local community	Activities based on the social contribution activity guideline	●	●	Continued supports in 3 areas and initiated new supports in 2 areas based on the social contribution activity guideline											
										Reduction of electricity consumption in "buildings"	Number of sites with LED lighting fixtures	●	●	Number of sites: 24											
										Reduction of electricity consumption per floor space (intensity) in "buildings"	●	●	Reduction rate: down 8.3% from FY2018												
										Number of sites subjected to energy-saving inspections	●	●	Number of sites: 169												
	4 Realize Decarbonized Business Processes	(1) Increase energy efficiency	Promotion of introducing double-trailer trucks	Support of introducing double-trailer trucks	●	●	Continued operation between Shizuoka and Kyoto prefectures	★★	Expand the scope of shared use of logistics facilities and transport equipment/facilities	P84/Website															
											Promotion of joint use of logistics and transportation equipment/facilities	Joint use of logistics and transportation equipment/facilities	●	●	Carried out logistics operation of multiple EC business operators at Kasukabe EC Platform Center										
																Development of new customers/routes for modal shift	Development of new customers/routes	●	●	Transported industrial equipment, etc. from Chiba Prefecture to various locations in Japan by using 12-foot containers					
																					Promotion of streamlining transportation through establishing platform and integrated delivery sites, etc.	New shared transportation	●	●	Opened a joint terminal "Mito Transport Center" in Ibaraki Prefecture in February/Expanded the scope of existing initiatives
		Ownership ratio of the advanced eco-friendly vehicles	●	●	Ownership ratio of the advanced eco-friendly vehicles: 97%																				
						Ongoing eco-friendly driving training	Eco-friendly driving training in each site	●	●	Cancelled group trainings to prevent the spread of COVID-19															
											Performance of internal environmental audit	Performance of internal environmental audit	●	●	Performed internal environmental audit in 84 domestic group sites										
																Development of voluntary environmental activities in each site	Promotion of environmental activities in each site	●	●	Number of sites: 184					
																					Review of the environmental management system	Consideration of the design of the environmental management system	●	●	Started new operation of the industrial waste management system
Enhancement of overseas environmental management	Identification of key environmental laws and holding of global environment meetings	●	●	Conducted a survey on Australia, Philippines, Vietnam, and Hong Kong/Held two Environment Officers Meetings																					
					Promotion of continuous improvement by the environmental management system	Continuous implementation of "Eco Stage 2" obtained by the head office to other domestic offices	●	●	Renewed certification since FY2017/Hitachi Transport System Central Japan Co., Ltd. renewed its certification acquired in FY2019																
										Attendance rate of environmental e-learning courses	Attendance rate: 99.5%	●	●	Attendance rate: 99.5%											
															Promotion of employees' understanding through education and enlightenment activities to raise their environmental awareness	Communicate environmental-related information to employees	●	●	Reported environmental activities in the Group magazine/Shared environment-related information at executive management meetings						
																				Clean-up activities outside the Company and the light-down campaign	Implemented in each site at a different timing from the HTS Group Environment Month due to the spread of COVID-19	●	●	Implemented in each site at a different timing from the HTS Group Environment Month due to the spread of COVID-19	
Environmental advertisement and disclosure of environmental information	Responded to CDP (A minus rating)/Enhanced disclosure of environmental information via the website	●	●	Responded to CDP (A minus rating)/Enhanced disclosure of environmental information via the website																					

*1 Covers 13 group companies: Hitachi Transport System East Japan Co., Ltd., Hitachi Transport System Kanto Co., Ltd., Hitachi Transport System Metropolitan Co., Ltd., Hitachi Transport System South Kanto Co., Ltd., Hitachi Transport System Central Japan Co., Ltd., Hitachi Transport System West Japan Co., Ltd., Hitachi Transport System Kyushu Co., Ltd., and Hitachi Transport Direx Co., Ltd., VANTEC CORPORATION, VANTEC EAST LOGISTICS CORPORATION, VANTEC CENTRAL LOGISTICS CORPORATION, VANTEC KYUSHU LOGISTICS CORPORATION, and TOKIWA KAIUN COMPANY LIMITED. *2 Actual results of Hitachi Transport System, Ltd. only *3 Dialogue Café: Place to develop human resources who can lead the communication at workplace

★★★ : Achieved the target/plan for FY2020, showing results
★★ : Almost achieved the target/plan for FY2020, showing some results
★ : Failed to achieve the target/plan for FY2020, not showing results