



UD TRUCKS

Sustainability  
Report  
**2020**

UD Trucks Corporation



Go Ahead 😊



UD TRUCKS

## UD Trucks at a glance

For 85 years, UD Trucks has provided the trucks and transportation solutions the world needs today, forever challenging and innovating for a better tomorrow.

### Sales and servicing in **66** countries

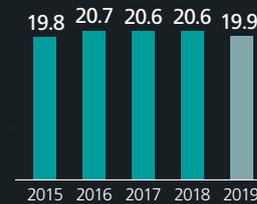
UD Trucks' extensive network of dealers offers sales and servicing in 66 countries. In Japan, the Company provides 24-hour, 365-day support to commercial vehicle operators and drivers, including a telematics service connecting more than 60,000 trucks.



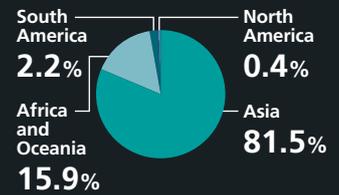
### **19,911** trucks sold globally in 2019

UD Trucks sold 19,911 trucks in 2019, meeting a wide range of local transport needs with its diverse lineup of truck models. Japan is the largest market for UD Trucks.

Number of trucks sold globally (Thousands)



Sales breakdown by region



### **85** years of history

Founded in 1935 as a diesel engine manufacturer, UD Trucks has always been a challenger at heart, responding to the needs of customers and of the times.

### **165** customer centers and independent dealers in Japan

The Company's nationwide network of customer centers and dealers provides genuine parts and servicing to keep customers' trucks running and maximizing uptime.

### Diverse workforce of **6,442** employees

(Including consultants and temporary employees)

With employees from 28 countries based in Japan alone, UD Trucks recognizes that promoting a diverse workplace in which all employees can make the most of their abilities will lead to its continued success.

Note: All figures above are as of December 31, 2019.



# Towards Better Life, for people and the planet

The impact of the COVID-19 pandemic in 2020 has been profound. People have been forced to make major adjustments to their professional and personal lives. At the same time, advances in IT and digital communication are changing society rapidly, allowing people to work more flexibility or virtually from anywhere.

In the midst of these dramatic changes, what does remain constant is the vital role of logistics in supporting our way of life. Logistics is indeed the lifeblood of society. At UD Trucks, we have a responsibility to seek out more sustainable transportation solutions as we play our part in moving the goods that society relies on everyday.

UD Trucks is proud to announce Better Life, our purpose and reason why we exist. In short, our purpose is to make life better for people and the planet. Better Life will drive our business strategy towards our wanted position in 2025 and beyond. Specifically, we have set goals that will steer the company towards lower environmental impact, higher customer satisfaction, a better place to work, and higher profitability. In pursuing these goals we

are also supporting the UN Sustainability Development Goals (see page 3 for details).

We expect the pace of change in society will only intensify in the future. UD Trucks is committed to meeting these new challenges and providing sustainable solutions for today and tomorrow. We look forward to working closely with all stakeholders, to make a better world together and Better Life.



酒巻 孝光

Takamitsu Sakamaki

President and  
Representative Director

## About this report

UD Trucks publishes a sustainability report every year for the purpose of providing stakeholders with information about its social and environmental initiatives.

## Scope of the report

This report covers the activities of UD Trucks Corporation primarily in Japan. Some sections also cover our activities in other countries.

## Reporting period

This report mainly covers results and activities in fiscal 2019 (January 1 to December 31, 2019). Some sections also refer to results and activities in previous fiscal years, activities in fiscal 2020, and future plans and forecasts.

Published December 2020

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# Better Life – Our Purpose

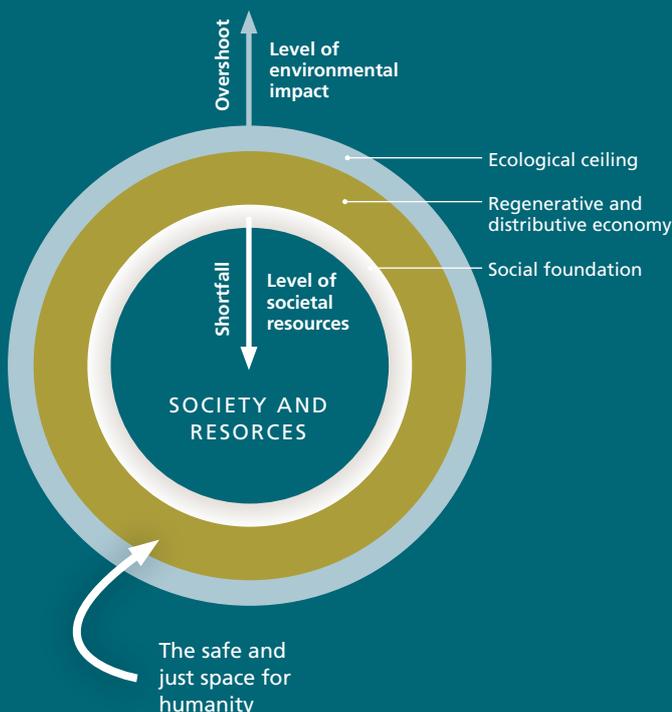
Planet Earth is our only home and facing tremendous challenges, such as climate change and natural resource depletion to name a few. The logistics industry is also going through a major transformation - from higher shipping volumes propelled by the growth of e-commerce to the introduction of more sustainable

technologies in the areas of automation, connectivity and electromobility. Within this changing landscape, UD Trucks is committed to Better Life, our purpose that will drive us towards our goal of making life better for people and the planet.

## The forces behind Better Life

### Doughnut Economics

Better Life is inspired in part by Kate Raworth's Doughnut Economics model, which is also championed by the Volvo Group as a sustainable path forward for our business. This model is a way of visualizing how we can achieve human development without damaging earth systems. There are two boundaries: the inner social boundary and the outer environmental boundary envisaged by the social foundation and the ecological ceiling. Between these two there is an area representing an environmentally safe and socially just space for people to prosper in.



### Sustainable Development Goals (SDGs)

Better Life is aligned with several UN Sustainable Development Goals (SDGs). The SDGs are the most comprehensive blue print for a sustainable future, and the role of business in supporting these goals is critical for positive environmental and social change on a global scale. UD and the Volvo Group have embraced several SDGs - from promoting education and health to sustainable cities and climate action.

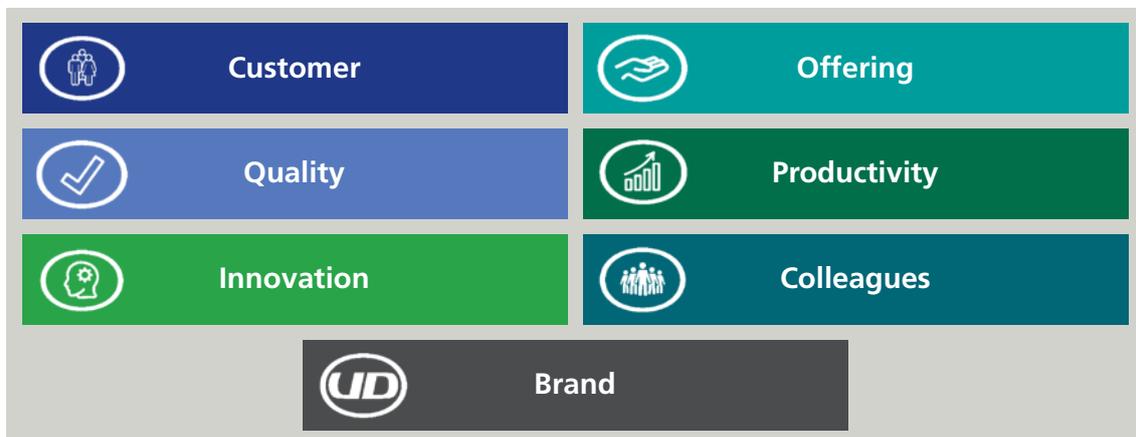


## Better Life as a business strategy

Better Life is a business strategy that integrates sustainability across all of our operations and processes, touching all stakeholders, including customers, business partners and colleagues. Our wanted position in 2025 is to be the sustainability leader among Japanese commercial vehicle brands by achieving:

- Lower environmental impact
- Higher customer satisfaction
- A great place to work
- Higher profitability

### Seven strategic priorities



#### Customer

Earn the trust and business of customers through customer intimacy. Identify customers' needs and provide integrated solutions.

#### Quality

Continuously secure and improve the quality of products, manufacturing, and suppliers. Deliver the quality that customers deserve.

#### Innovation

Develop new business models and partnerships in the areas of automation, connectivity and electromobility.

#### Brand

Reach out to stakeholders and impact them, inspire them to support the company's challenge towards Better Life and become UD fans.

#### Offering

Develop truly competitive products and services, integrated to create the most appealing offer for customers.

#### Productivity

Excel as a vehicle manufacturer with fully integrated and digital end-to-end processes. Maintain lean, flexible and reliable operations for benchmark efficiency.

#### Colleagues

Develop talent and create a desired place to work, an environment where everyone feels safe and well taken care of and can maximize their potential.

# Improving customer satisfaction



UD Quality Month workshops

## Our approach

UD Trucks always aims to be the business partner of choice for customers. Toward that end, the Company works to maintain and enhance quality across all of its business activities, spanning from product development and manufacturing through to sales and aftermarket services, in accordance with the Volvo Group Quality Policy. That means supplying innovative products and services that help commercial vehicle operators secure enough truck drivers (amid shortages in Japan and other key markets for UD Trucks), operate efficiently, comply with environmental regulations, and maintain profitability.

## Customer satisfaction starts with quality

### Quality Month at UD Trucks

UD Trucks designates November of every year as Quality Month to raise awareness of quality among employees. In 2019, over 550 employees participated in workshops to share information including the following three initiatives taken within the Company.

#### Adoption of virtual reality in product development

UD Trucks has adopted virtual reality technology to develop new trucks from the design stage through to prototype evaluations. The technology is useful for identifying problems early on and verifying the effectiveness of solutions, thereby ensuring the quality of finished products.

#### Devices for preventing mistakes in assembly work

The Company has begun using devices that have been specially designed to prevent mistakes when assembling similar parts. Originally created and manufactured by employees, themselves, the devices reduce workloads while also enabling general assembly workers to work with the same high level of precision as skilled workers.

#### Updated truck maintenance manuals

UD Trucks has updated and revised its basic maintenance manual, troubleshooting guide, and other indispensable manuals for truck mechanics. To complete this process, the Company thoroughly followed up on solutions to problems that could not be solved using the previous versions of the manuals, updated information to include the latest repair diagnostic equipment, and reconfirmed the procedures and time required for repair work. The new manuals are now helping mechanics service vehicles more smoothly and accurately.

## Quality

### ISO 9001 certification acquired

UD Trucks complies with the ISO 9001 international standard for quality management systems. The Company's Manufacturing Division acquired ISO 9001 certification in 2002, followed by the Product Development Division in 2016. UD Trucks also applies a plan-do-check-act (PDCA) cycle to continuously raise quality in accordance with the standards.



### Initiatives taken by various company divisions

#### Measures for promptly dealing with quality-related issues

To minimize the impact of quality-related issues for customers, UD Trucks has established a Quality Action Group spanning across departments involved in product development, manufacturing, and aftermarket services. The group is comprised of teams that handle troubleshooting at headquarters, teams that provide technical support at dealers and customers' sites, and branch office teams that directly respond to problems in their respective areas. These teams coordinate their efforts to quickly identify

root causes and implement solutions. Through this arrangement, they promptly share quality-related information and respond to issues, ultimately leading to greater customer satisfaction.

#### Product development quality standards

UD Trucks carries out product development projects in collaboration with various organizations in the Volvo Group. The Company's Product Development Division has established its own quality assessment standards that incorporate processes shared throughout the Volvo Group. In accordance with these standards, the division specifies checkpoints at each stage of product development and confirms whether targeted levels of quality are achieved across a broad range of indicators, including a truck's performance, functions, durability and reliability. This process not only ensures higher quality but also shortens the total time required for product development.

#### Quality assurance in manufacturing

Based on UD Truck's own quality management procedures, the Manufacturing Division conducts daily inspections of procured parts and manufactured items to check for quality defects throughout the production process and ensure targeted levels of quality. Refined through continuous improvement over several years, these quality management procedures have been adopted by all factories in the Volvo Group.

#### Improving the skills of aftermarket service staff

UD Trucks works to raise the quality of its aftermarket services by organizing events that enhance the skills of maintenance and repair staff. For example, the Company holds Uptime Conferences for its dealer network as a venue for providing technical support and quality-related information about new products. In 2019, about 350 mechanics and service parts engineers from the dealers joined the workshops. UD Trucks also holds a worldwide competition called the UD Gemba Challenge to enhance the capabilities and teamwork of employees involved in aftermarket services. The competition tests practical knowledge and skills needed for solving problems that can arise at service centers. By working through such tasks, the participants individually acquire new knowledge and skills while gaining experience in efficiently dealing with problems together with team members. In 2018, about 1,300 participants from 347 teams—a record-high—from various countries competed in the event.

#### Recalls and servicing of defects

In the event of a vehicle defect that could potentially affect customer safety or the environment, UD Trucks promptly discloses all relevant information in accordance with guidelines issued by Japan's Ministry of Land, Infrastructure, Transport and Tourism.

#### Number of vehicle defects by manufacturer reported in Japan

	2017		2018		2019	
	UD Trucks	Volvo Trucks	UD Trucks	Volvo Trucks	UD Trucks	Volvo Trucks
Defects resulting in recall	6	1	9	1	10	5
Defects requiring improvement	0	1	1	0	0	0
Defects requiring servicing	5	3	7	3	3	2

## Products

### Meeting market demand for lighter trucks

Demand for lighter trucks for short and medium-length routes has been on the rise in Japan in recent years. In response, UD Trucks began selling a Quon model heavy-duty truck with an 8-liter engine in January 2019. This smaller engine allowed the Company to make the truck's chassis about 300 kilograms lighter than those of conventional 11-liter engine trucks. That results in a substantial increase in payload capacity, meaning that commercial vehicle operators can potentially deploy fewer drivers, an important factor due to a shortage of truck drivers in Japan. The model is also equipped with an ESCOT-VI electronically controlled transmission and advanced safety functions.

In addition to this model, UD Trucks has been providing other products tailored for market needs, outside of Japan as well.

### Equipping trucks with advanced safety technology

In an effort to improve road traffic safety, UD Trucks has been developing advanced safe-driving technology and equipping its

trucks with such systems. For instance, the heavy-duty Quon comes with a Traffic Eye Brake system for automatically braking to avoid a collision, Driver Alert Support system for detecting steering irregularities, Lane Departure Warning System for detecting whether the truck leaves the lane at high speed, and UD Stability Control for adjusting engine output and braking in response to conditions under which the truck could become unstable. Moreover, UD Trucks makes sure to incorporate safety in the basic performance of its trucks by equipping them with disc brakes designed for outstanding heat dissipation and resistance to brake fade. All of these systems not only help drivers operate trucks more safely but also make the road safer for other vehicles.

## Services

### Renovations and upgrades to customer centers

UD Trucks helps customers optimally use its products by improving its after-sales services. As part of these efforts, the Company has been renovating and

upgrading its customer centers since 2014. Waiting rooms have been redesigned with welcoming interiors and new air conditioning systems to provide more comfortable spaces for customers to wait during servicing and repairs.

Women-only waiting and shower rooms have been set up at some centers. In the repair shops of the centers, the Company has installed in-ground and hydraulic lifts as well as LED and new ceiling lighting systems. These efforts among others are helping improve workplace efficiency and comfort for the mechanics.

### After-market service certification program

UD Trucks certifies its customer centers nationwide as a means to promote better customer service and systematically improve operations. Under this program, the Company sets three levels of standards for after-market services, from one to three stars, and assigns experts to conduct detailed inspections at each center to assess whether it meets such standards. After a center is certified, in-house inspections are carried out periodically to ensure that the standards are being maintained. In addition to its own customer centers, UD Trucks has been extending the program to independent dealers that provide after-market services.

## Demonstrating the viability of autonomous, heavy-duty trucks

From August 5 to 30, 2019, UD Trucks jointly conducted a Level 4 autonomous driving trial with a heavy-duty Quon in Hokkaido, Japan, together with Nippon Express Co., Ltd., a major logistics service provider, and the Hokuren Agricultural Cooperative. Government officials, agriculture industry representatives and news media gathered on August 29 to observe a demonstration of the autonomous vehicle.

During the demonstration, a specially adapted heavy-duty Quon truck equipped with a network-based RTK-GPS (Real Time Kinematic Global Positioning System) operated on a typical delivery route from a produce acceptance area to a final unloading area, diverging only a few centimeters from the designated course at an average speed of 20 kilometers per hour under varying road surface conditions. A portion of the route included a public road surrounding the Nakashari Hokuren Sugar Refining Mill, marking Japan's first Level 4 autonomous driving trial of a heavy-duty truck on a public road at the time.



## Supporting our customers

### Test-driving events for female truck drivers

In Japan, while trucks deliver over 90% of all cargo (on a tonnage basis), a shortage of truck drivers is a serious problem facing the country today. Only 2.4% of truck drivers are women in Japan, so efforts are being made to attract more women to the industry by improving working conditions. The Ministry of Land, Infrastructure, Transport and Tourism even launched a project in 2014 to provide support for women who aspire to become truck drivers.

Playing a part in these efforts, UD Trucks has been inviting female truck drivers to test-driving events at its UD Experience Center since 2017. In 2019, about 30 female truck drivers participated in the event, which included test-drives of the heavy-duty Quon along with a factory tour, group discussion, and workshop about improving drivability and working conditions for women in the transport industry. The participants evaluated the Quon during the test drives, noting that the automatic transmission made operations less stressful and physically demanding. Some of the shorter women also said that the truck's design made it easy to drive, including the positioning of the steering wheel and seat. Based on this feedback, UD Trucks reaffirmed its conviction that providing trucks that are easy to drive, even by beginners, will help attract new people to the industry and alleviate the shortage of drivers.

### Motivating truck drivers worldwide to develop their skills

UD Trucks periodically holds a global driving skills competition called the UD Extra Mile Challenge for drivers of its trucks around the world, with the goals



of motivating the drivers to develop their capabilities and helping operators make the most efficient use of their trucks. The drivers receive training from the Company's skilled engineers and compete across three categories of skills: inspecting trucks before driving, fuel-efficient and safe driving, and maneuvering and parking. In the most recent UD Extra Mile Challenge, drivers competed in national qualifiers held from July 2019. The Company plans to hold the final round of the competition, sometime in 2021, after the COVID-19 pandemic subsides.

### Instruction on how to drive more economically

Since 2007, UD Trucks has been holding eco-driving seminars aimed at equipping truck drivers with practical skills and knowledge about how to improve fuel efficiency while driving. During the seminars, truck drivers learn and practice special fuel-saving techniques for maneuvering and decelerating. The seminars also make use of the UD Information Service, a wireless communications system for collecting and analyzing data on a truck's location and movements, which enables evaluations of vehicle speed, gear changing, and other driving-related factors. Participants have found this to be very insightful and helpful for objectively understanding their driving habits and making improvements accordingly.

In 2019, a total of 1,119 truck drivers participated in seminars held at 70 locations nationwide (compared with 1,018 drivers at 81 locations in 2018). Data collected after the seminars indicated that the drivers improved their



fuel efficiency by 24.9% on average, demonstrating how this initiative is helping customers improve mileage and reduce CO<sub>2</sub> emissions.

### Providing safe-driving seminars to customers

UD Trucks has been inviting customers to participate in safe-driving seminars since 2007. The seminars cover a broad range of topics, including safe management systems for transport operators, the dangers of driving under the influence of alcohol, blind spots, preventing common accidents, defensive driving, and reducing human error. The programs combine lectures with hands-on training so that drivers can immediately acquire practical skills. Videos of actual accidents taken with drive recorders are also used to give participants a real sense of how accidents happen. In 2019, 4,261 people participated in 146 sessions, compared with 4,315 people in 145 sessions in the previous year.

### Prompt customer service

UD Trucks has established a customer service call center made available with a toll-free telephone number for customers to ask questions, provide feedback and make requests. It has also prepared a guidebook explaining responses to all foreseeable inquiries to help the center's phone operators effectively deal with customer inquiries. The center's procedures and operations are regularly reviewed to ensure that it continues to provide prompt and helpful customer service. In 2019, the center handled a total of 4,004 calls compared with 3,791 in 2018.

# Strengthening our partnerships



## Our approach

To help commercial vehicle operators run their businesses successfully, it is essential for an automaker to develop and manufacture vehicles tailored to their needs and to provide after-sales services for the long term. From that standpoint, UD Trucks recognizes that its suppliers and independent dealers are indispensable business partners. Accordingly, it strives to forge strong business partnerships while working to raise customer satisfaction and adhering to Volvo Group policies.

## Volvo Group procurement in 2019

**299.6 billion SEK\***

of goods and services were purchased.

2.5 billion parts for 40 factories worldwide were delivered.

\* SEK refers to the Swedish krona; 1 krona was worth approximately 12.2 US dollar as of November 30, 2020.

**51,000**

**Tier 1 suppliers**

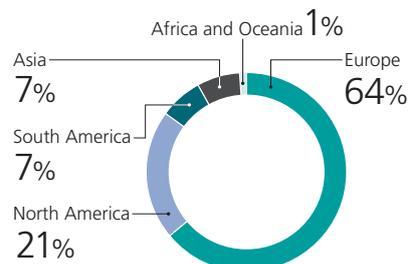
Of the total, auto parts were procured from about 6,000 suppliers

Percentage of spending on auto parts from sustainability self-assessed suppliers

**92%**

98% in high-risk countries

### Percent of purchases by region



### Ensuring responsible procurement

Working closely with suppliers is essential for maintaining competitiveness and promoting sustainability in the transport industry, which is facing rapid changes and shorter development cycles.

The Volvo Group requires all of its suppliers to not only supply high-quality products but also promote sustainable business practices. By optimizing its supplier base and geographical footprint, the Group responds to customer needs while working to reduce CO<sub>2</sub> emissions. In accordance with the Volvo Group's policies, UD Trucks strives to ensure responsible procurement of raw materials, components, equipment, and services necessary for its global operations.

### Balancing people, the planet, and profits

The Volvo Group has specified sustainability as a key criterion for its sourcing selections along with quality, features, delivery, and cost.

In 2019, the Group established a Supplier Code of Conduct and redefined the responsibilities and requirements it expects of suppliers. Guided by this code, UD Trucks is helping implement the Volvo Group's Sustainable Purchasing Program in an effort to build strong partnerships with suppliers and effectively manage social and environmental risks in the supply chain.

### Participating in Volvo Group's Sustainable Purchasing Program

UD Trucks is an active participant in the Volvo Group's Sustainable Purchasing Program, which is made up of five components. Firstly, all suppliers are requested to comply with the Group's Supplier Code of Conduct, which is based on global standards such as the UN Global Compact. Secondly, the Volvo Group's Supplier Sustainability Assessment Program evaluates suppliers with respect to business ethics, environmental performance, and other important matters by having them complete a Sustainability Self-Assessment questionnaire. Thirdly, Supply Chain Mapping is deployed to assess and analyze suppliers with respect to identified segments and areas. Fourthly, the Group promotes "innovation focusing on people and the planet" by offering internal training and best practice sharing about circular economy, recycling, eco-design, and human rights. Finally, the Volvo Group encourages industry collaboration through its participation in Drive Sustainability, a partnership of 10 automakers (mainly based in Europe) that promote supply chain sustainability in the automotive industry, and the Responsible Minerals Initiative, an international NGO that focuses on responsible and sustainable mineral sourcing in the automotive and electronics industries.

### Sourcing minerals sustainably

The Volvo Group is working with the Responsible Minerals Initiative (RMI) with the aim to ensure responsible and sustainable sourcing of conflict minerals, namely tin, tantalum, tungsten, gold, and cobalt. Members of the RMI gain access to tools and resources that help improve regulatory compliance and support responsible mineral sourcing in high-risk areas. The Volvo Group also makes use of reporting templates and guidelines developed by the RMI to ensure supply chain transparency and compliance with the RMI's rules.

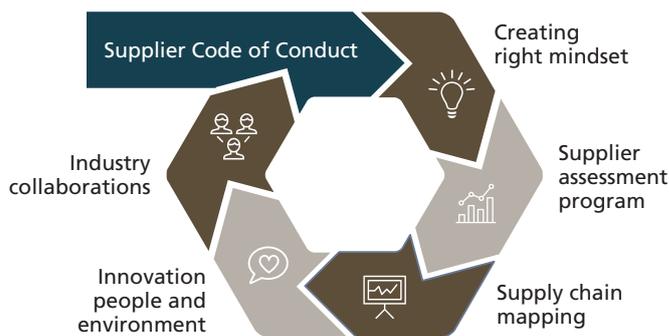
### Working in partnership with independent dealers

In addition to its own network of dealers, UD Trucks supplies products and services to customers through six companies that operate a total of 32 independent dealerships in Japan. While respecting the corporate traditions and local business practices of each of these dealerships, UD Trucks works closely with them towards the common goal of improving customer satisfaction, and invites them to the same training programs and events as its own dealers to help their employees acquire more skills and expertise.

### Helping aftermarket service personnel improve their skills

UD Trucks routinely holds events designed for improving the skills of its mechanics, service parts engineers and other aftermarket service personnel. In 2019, about 50 employees from independent dealers joined its annual Uptime Conference, a training event that provides a forum for sharing expertise and the latest information. In 2018, the Company invited 11 teams consisting of 41 participants to compete in its international skills competition called the UD Gemba Challenge.

### Main elements of Sustainable Purchasing



# Empowering our people



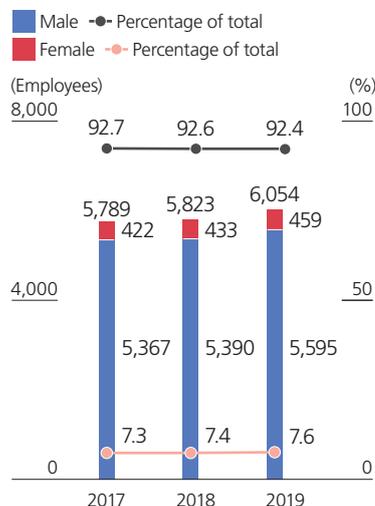
Dialog with female employees during Diversity & Inclusion Week

## Our approach

To develop human resources that can thrive anywhere in the world, UD Trucks provides effective and practical training programs, and assists employees with career development through a fair and transparent evaluation system. These programs and systems emphasize the importance of respect for individuals, self-actualization, diversity, teamwork, taking responsibility for one's work, and open communication. The Company uses employee attitude surveys and other tools in an effort to create an open and comfortable workplace that allows all of its members to make the most of their capabilities.

## Employee data in Japan (as of December 31, 2019)

### Number of employees by gender (directly employed by UD Trucks)



### Newly hired graduates

225

### Newly hired mid-career employees

232

### 28 nationalities

Australia, Bangladesh, Belgium, Brazil, Canada, China, France, Germany, India, Indonesia, Ireland, Japan, South Korea, Malaysia, Mongolia, Myanmar, Nepal, South Africa, Singapore, Spain, Sri Lanka, Sweden, Thailand, the Philippines, Poland, Ukraine, United States, and Vietnam

### **Promoting diversity and inclusion in the workplace**

At UD Trucks, differences among employees are embraced and respected based on an understanding that diversity is essential for the Company to succeed globally. Accordingly, while striving for sustainable growth, UD Trucks actively promotes diversity and a working environment that allows each individual to maximize his or her potential. The Company assesses how employees feel about diversity in periodic employee attitude surveys. The surveys also measure inclusion, such as the extent that employees feel valued as important members of their teams. The results of these surveys are then incorporated in diversity and inclusion management initiatives. In addition, the Company holds a Diversity & Inclusion Week every year in October to share best practices and raise awareness among employees.

This commitment to diversity and inclusion is reflected in the Company's openness to hiring foreign nationals in Japan. In 2019, it recruited 64 non-Japanese college graduates—almost 30% of all graduates hired that year—further contributing to its internationalization and diversity.

### **Helping employees grow and develop**

UD Trucks has established ample training facilities, adopted a training management system, and provides a wide range of training programs to facilitate active learning and self-development among employees. This enables employees to develop and refine their expertise and capabilities while acquiring the skills they need not only for their current jobs but also for the future.

Since 2018, the Company has been holding “learning days” as educational events designed to foster a corporate culture that values self-development. In 2019, it began organizing career

planning seminars to provide employees with useful information about training programs and resources for developing necessary skills for achieving career goals.

### **Getting results while fostering personal growth and trustful relations through dialogue**

At UD Trucks, managers and team members regularly engage in dialogue about a wide range of matters, such as setting work priorities, confirming progress, proposing improvements, and developing individual potential. Through such discussions and feedback, workplaces not only get results but also foster personal growth and build trust among management and employees.

### **Maintaining flexible workplaces**

UD Trucks has put in place various systems and policies designed to help employees maintain a healthy balance between their working and personal lives. They include a flex-time system along with childcare and nursing leave systems. More recently, the Company initiated a telecommuting system that is available to employees and places no limits on the number of days they can work at home. It has also established an anti-harassment policy, and is making ongoing efforts to reduce and eventually eliminate overtime work.

### **Facilitating open communication**

UD Trucks has taken steps to promote smooth communication in the workplace, such as holding town hall meetings, creating time for Swedish-style coffee breaks called *fika*, and providing company news and information via its intranet. In 2019, it created an extensive digital platform that enables employees to acquire and share useful information at any time and in any location. With this platform, employees can now access

work-related systems, which had only been available via company computers in the past, using their own personal device such as PCs, smartphones, or tablets. This makes it easier for organizations and project teams to share information and exchange ideas while also facilitating interaction among employees, regardless of their job position or whether they work at one of the Company's offices outside Japan. Moreover, this easy access to a wide array of information allows employees to learn more about the workings of the Company and efforts to adopt best practices.

### **Ensuring health and safety**

UD Trucks regularly holds events designed to maintain safe workplaces and assist employees with health management. In 2019, it held a Health and Safety Week from July 1 to 7, which included health seminars, physical fitness evaluations, and stretching workshops. The Company also organized training seminars on preventing work-related injuries. In addition, it routinely provides stress assessments in the workplace to help employees manage stress. Employees are encouraged to meet with physicians or counselors if their results indicate high stress levels, and their job responsibilities may be reduced based on the advice of the physicians.



# Engaging with communities



Children receiving meals through hunger relief programs in South Africa

## Our approach

UD Trucks draws from the expertise and talents of its people and makes good use of its facilities and resources to provide support and assistance to communities. The Company strives to forge strong ties with its many stakeholders, including the communities it operates in and its partners in the automotive industry, through initiatives aimed at creating shared value. Using its business for good, UD Trucks is working to help pave the way for a more sustainable society.

## Initiatives in South Africa

### Supporting hunger relief programs

Since 2007, UD Trucks Southern Africa has been offering support to Shoprite Mobile Soup Kitchens, a program that distributes food to people in disadvantaged areas of South Africa. The program currently serves an average of 300,000 meals each month from 19 mobile kitchen trucks—six of which are UD Truck models—that operate six days a week. To date, over 41 million meals of nutritious soup and bread have been distributed, and meals are now also being provided to children in neighboring Angola.

Shoprite Mobile Soup Kitchens has become more important than ever due to the impact of the COVID-19 pandemic on South Africa's economy in 2020. Since a nationwide lockdown went into effect, the program has provided over 80,000 meals to 145 organizations around the country. As a responsible corporate citizen, UD Trucks Southern Africa is committed to supporting the program no matter how difficult the circumstances become.



### Road safety instruction for elementary school students

Among prefectures in Japan, Saitama has a comparatively high number of fatal road accidents involving medium- and heavy-duty trucks\*. As a truck manufacturer based in Saitama, UD Trucks recognizes its responsibility to help prevent road fatalities, and, toward that end, has been conducting a traffic safety program for elementary school children in the city of Ageo since 2016. Over four years up to 2019, 1,934 students have participated in the program and 197 employees have served as instructors.

Through the program, elementary school students learn about road safety and participate in activities with actual heavy-duty trucks to demonstrate their blind spots and the space required when turning corners (specifically the different arcs taken by the front and rear wheels). The students are also given an opportunity to sit in the driver's seat of a truck to observe what drivers can actually see outside. The program's instructors have noted that sitting in the driver's seat was a valuable experience for the children, and the chance to directly observe the trucks made them much more aware of safety.

\* Based on data published by the Japan Trucking Association

### Field trips for elementary school students

In June 2019, elementary school students with special needs in the city of Ageo visited UD Trucks to learn about the importance of trucks for transporting food. The lesson was part of a field trip for students in grades one through six to learn about food, which also included a tour of a food wholesale market in nearby Saitama City prior to the visit. Held at the UD Experience Center, the lesson covered the past, present, and future of trucks, followed by a



demonstration of how cargo is handled at a loading dock. The children were delighted when the wings of a heavy-duty truck opened automatically, and could visualize how the food they saw at the wholesale market could be unloaded from the truck.

As a member of the local community, UD Trucks will continue accepting requests from schools organizing field trips like this in the future.

### Internet classes for senior citizens

Since 2016, UD Trucks' employees have been offering classes on how to use the internet for residents of Ageo aged 60 and older. Mainly from the Company's IT Division, the employees initiated the program with a desire to use their skills to give something back to the city. The program is intended to improve the quality of life of older residents who are largely unfamiliar with the internet by teaching them how to access news and information related to their personal interests. Some participants have commented that they learned to quickly obtain news on disasters, bus and train timetables, and other information needed in daily life, while others expressed a desire to make practical use of what they learned from the informative classroom materials and lectures.

In 2019, the program switched from personal computers to tablets and introduced easier and more user-friendly ways of using the internet, including apps and voice recognition software. In

addition to the instructors, one employee for every two participants is assigned to help, thereby creating a supportive and enjoyable environment for learners unfamiliar with IT tools.

### Supporting communities during the COVID-19 pandemic

In response to the COVID-19 pandemic around the world, UD Trucks provided support for people in various countries in 2020.

In Japan, UD Trucks donated 5,000 masks to public nursery schools in Ageo in May. The city's mayor, Minoru Hatakeyama, expressed his appreciation to the Company for the donation at a time when masks were in scarce supply, especially since staff were taking extra care to prevent the spread of the virus at the nursery schools, which remained open despite the temporary closure of elementary and high schools. In June, the Company donated another 5,000 masks to an elementary school near its head office in Ageo to help prevent the spread of infections after the school reopened.

In Thailand, over 50 employees cooperated with local hospitals to hold a blood donation drive in preparation for a serious outbreak of COVID-19 in the country. The event was held at a UD Trucks dealership in the northeastern province of Khon Kaen in July.

In Indonesia, employees delivered rice, seasonings, and other necessities to people in need who had lost their jobs due to the impact of the pandemic.



# Reducing our environmental footprint



Ageo Plant

## Our approach

The Volvo Group has been working to minimize environmental impacts throughout its history, and established the Volvo Group Environmental Policy for that purpose. Guided by this policy, UD Trucks has been implementing initiatives to reduce environmental impacts across all of its business activities with the aim of building a more sustainable world.

## The Volvo Group Environmental Policy

Environmental progress is a key element in our mission to drive prosperity through transport solutions.

The following principles provide direction for the work:

- Continually reduce life-cycle environmental impacts as an enabler for increased sustainability and customer success
- Demonstrate responsible care for the environment wherever we operate and build trust by adhering to our Code of Conduct.
- Minimize resource use, emissions and waste and utilizing means within our sphere of influence to create change towards a circular economy and to further improve our competitiveness

## Environmental management organization



**ISO 14001 certification acquired group-wide**

UD Trucks has been acquiring ISO 14001 certification for environmental management at its worksites since 1998, when its Ageo Plant first acquired certification. All of its production plants and affiliated companies had been certified by 2017, and completed the transition to the revised ISO 14001:2015 standard by the end of August 2018. Leveraging the benefits of this group-wide system, UD Trucks is currently working to achieve the objectives and targets of its environmental action plan.

**Auditing of environmental management system**

As a rule, UD Trucks conducts an internal audit of its environmental management system every year to ensure that it functions effectively. During the audits, a team of qualified audit committee members verify and evaluate whether the system is being properly implemented

and complies with company rules as well as relevant environmental laws and regulations. The environmental management system is also audited every year by a third party.

**Reducing environmental impact over the product life-cycle**

UD Trucks analyzes the environmental impacts of its trucks at each stage of the product life-cycle, beginning from product development and design through to the disposal and recycling of parts and components. Based on the results of its analyses, the Company strives to reduce the impact of its products and operations on the environment by using resources efficiently and producing more environmentally conscious trucks.

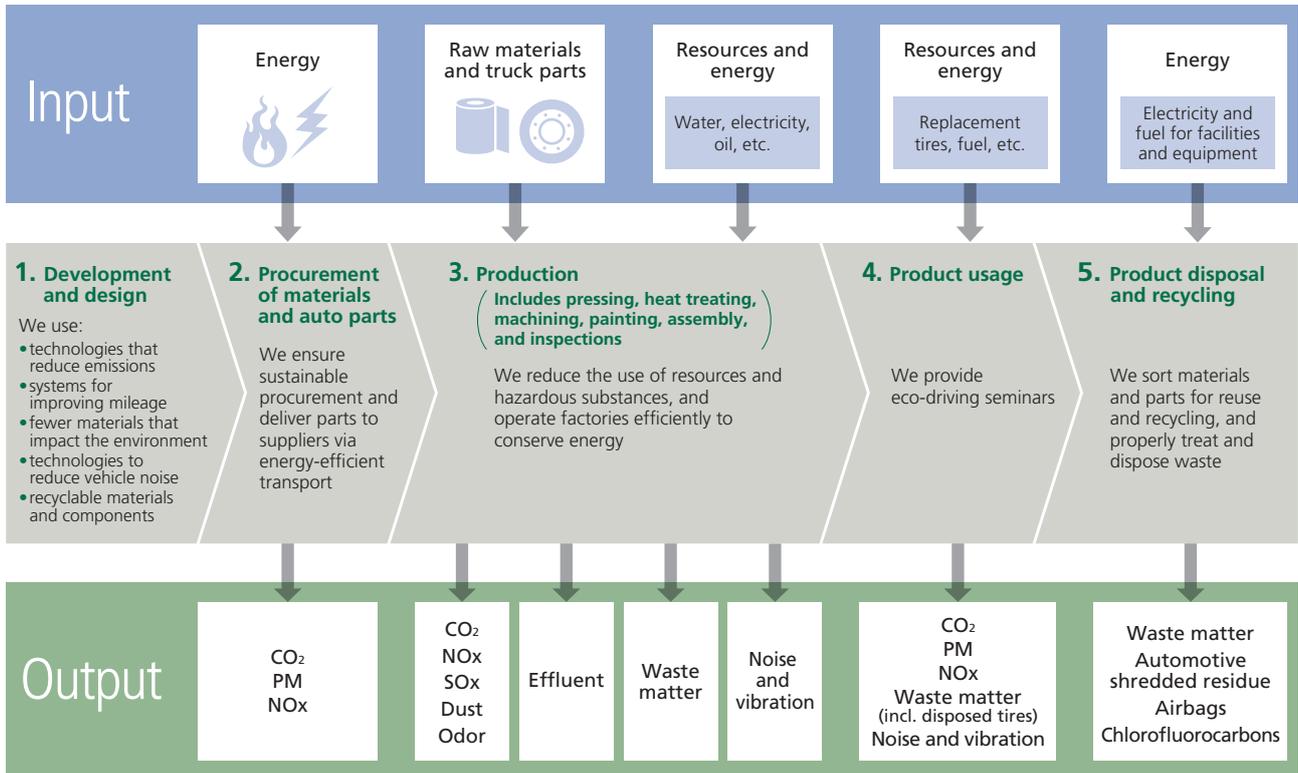
**Pursuing better fuel efficiency**

The fuel that trucks burn is not only a major expense for commercial vehicle operators but also a source of CO<sub>2</sub>

emissions, which are a major contributing factor to climate change. For that reason, UD Trucks is constantly improving the fuel efficiency of its trucks. Like other truck manufacturers in Japan, UD Trucks has been subject to stricter fuel efficiency standards for heavy-duty vehicles since 2015, with specific targets set for each weight class. Over 98% of all trucks sold by the Company in 2019 complied with these targets, reflecting its efforts to equip trucks with leading-edge fuel-saving technologies. UD Trucks has also achieved its own targets for average fuel consumption since 2012.

In addition to pursuing technical innovations for improving fuel efficiency, UD Trucks has been holding eco-driving seminars for truck drivers in every region of Japan to offer practical advice and tips on driving more efficiently.

**Material flow**



The main environmental impacts of trucks over the entire product life-cycle are due to emissions of CO<sub>2</sub> and exhaust gases containing particulate matter (PM) and nitrogen oxide (NO<sub>x</sub>) at the product usage stage.

### Improving fuel efficiency with industry-leading technologies

UD Trucks has continually improved the fuel consumption of its heavy-duty trucks by equipping them with a wide range of industry-leading technologies, including in-vehicle displays for advising drivers, optimally designed engine systems, and advanced functions for precisely controlling driving speed. Indicating the effectiveness of these technologies, compared with Japan's fuel efficiency standards for heavy-duty vehicles set in 2015, the Company's flagship Quon heavy-duty truck exceed targets by over 5% in over 90% of tests.



The Quon's driveline is designed to improve fuel efficiency

### Major technologies applied in heavy-duty trucks

<b>Vehicle</b>	<ul style="list-style-type: none"> <li>• Fuel Coach system for advising drivers on fuel-efficient driving</li> <li>• Foretrack function for predicting the road ahead based on scanned data</li> <li>• Aerodynamic designs including front bumper-fitted air dams and newly developed wind deflectors</li> </ul>
<b>Engine</b>	<ul style="list-style-type: none"> <li>• Ultra-high-pressure fuel injection systems</li> <li>• Optimally shaped combustion chambers</li> <li>• Optimally designed induction systems</li> <li>• Variable speed water pumps</li> <li>• Eight-liter engines equipped with low-exhaust emission systems</li> </ul>
<b>Power train</b>	<ul style="list-style-type: none"> <li>• ESCOT Roll system for minimizing the decline in speed when coasting</li> <li>• Acceleration limiter for ensuring gradual speed increases</li> <li>• Soft Cruise Control function for controlling acceleration</li> </ul>

### Average improvements in fuel efficiency of UD-brand trucks

● Comparative improvement in fuel efficiency\*

(Percentage points)



\* The percentages were calculated using the harmonic average of the fuel efficiency achieved by trucks sold each year, with the base year of 2015 set as 100%.

### Chemical substance management

UD Trucks strictly manages the chemical substances used in its products, specifically those included in the Global Automotive Declarable Substance List, in accordance with industry standards and laws concerning the production, import, management, and recycling of chemical substances. Such chemical substances are managed both before and during manufacturing.

At the product development and design stage, UD Trucks determines what chemical substances will be used at the manufacturing stage, including chemicals used by suppliers. It then registers relevant data with the International Material Data System, a database jointly managed by automobile manufacturers worldwide.

At the production stage, UD Trucks reports to the government each year on its usage of chemicals subject to Japan's Pollutant Release and Transfer Register, which is a system for restricting and controlling the discharge of designated chemicals into the environment. The Company also makes efforts to replace hazardous chemicals with less harmful alternatives, and properly comply with revisions of relevant laws or regulations.

## Helping the Volvo Group reduce CO<sub>2</sub> emissions

In 2011, the Volvo Group became the first automobile manufacturer to join Climate Savers, a World Wildlife Fund (WWF) initiative that brings global corporations together in effort to reduce greenhouse gas emissions. The Group then set the goal of reducing CO<sub>2</sub> emissions from its factories by an average of 12% by 2014 compared with its result in 2008. The Group exceeded its target early, cutting emissions by 20% in 2013. Riding that momentum, the Volvo Group stepped up its efforts and set a new target of reducing emissions by 8% over the 2013 result by 2020.

To help achieve this goal, UD Trucks has established a number of committees comprised of members of all relevant divisions, including a committee charged with saving energy, to set targets and formulate action plans. In 2013, the Company succeeded in reducing CO<sub>2</sub> emissions by 61.3% compared with the 1990 result, beating its target of 39% by a wide margin. Since then, UD Trucks has continued to implement various initiatives for reducing emissions to help the Volvo Group achieve its 2020 target.

Among these initiatives, the Company has been purchasing electricity specifically from renewable energy sources for some of its facilities since 2013, and began procuring such green electricity for its Ageo Plant in May 2019. As a result, the plant reduced its CO<sub>2</sub> emissions in 2019 by 3% compared with the level in 2018.

As another initiative, the Ageo Plant has been replacing obsolescent lighting equipment with LED lighting systems since 2017. By the end of 2019, 561 LED lights had been installed at the plant, contributing to a 0.4% reduction of CO<sub>2</sub> emissions compared with 2018. About 6,000 LED lights are scheduled for installation in 2020.

## Reducing waste matter at the product disposal stage

The final disposal of a truck at a dealer's site accounts for the largest amount of waste matter during the product life-cycle. For that reason, UD Trucks has established



its own waste-management system and created waste sorting management standards for all of its dealers in 2014. In accordance with the standards, each dealer has installed disposal facilities and properly sorts waste materials during truck disassembly and disposal. In addition, the Company delivers service parts in returnable packages to dealers to facilitate the reuse of materials.

UD Trucks looks for ways to make disassembly work easier and use resources more efficiently starting from the product development stage. For example, bumpers are designed to be simply disassembled into three components, headlights can also be easily dissembled into interchangeable lens and LED units, and fenders are made from recyclable materials.

At the production stage, UD Trucks works to reduce and recycle waste

matter with the goal of minimizing the amount of waste it disposes in landfills. In 2019, the Company achieved its target of limiting landfilled waste to under 1% of total waste generated, and has reduced the volume of waste sent to landfills by 99.9% compared with the amount in 1990.

In order to improve its waste management system, UD Trucks concluded a consulting agreement with a company that specializes in waste disposal in April 2015. Through this partnership, UD Trucks has been using only highly reputable disposal firms, administering and submitting all necessary reports to government agencies, and keeping records on the amount of waste disposed in an effort to strictly comply with laws and regulations concerning waste management.

## Working with local governments to combat global warming

UD Trucks achieved its 2019 target for reducing CO<sub>2</sub> emissions, which it set in compliance with regulations enacted by the Saitama prefectural government to combat global warming. The Company also cooperates with a carbon offset program initiated by the city of Saitama, and has contributed carbon credits in accordance with the prefecture's target-based emissions trading system.

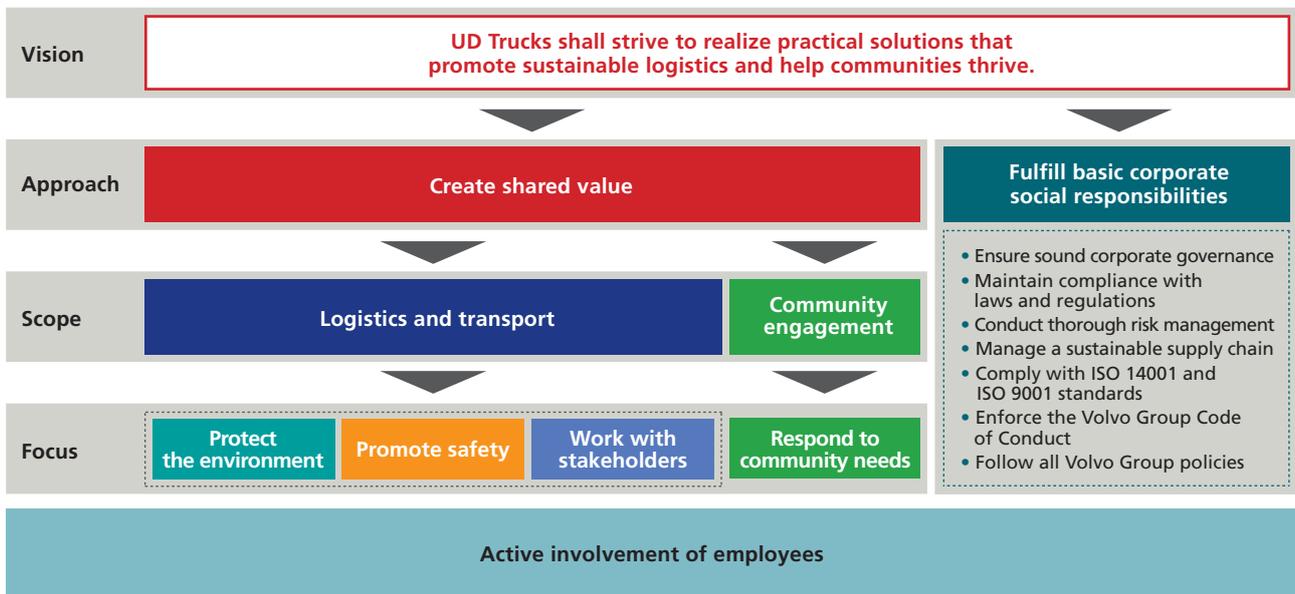


## Our CSR framework

For all of us at UD Trucks, helping make the world a better place through our business activities is at the core of who we are. The Company has created a vision for fulfilling its corporate social responsibility (CSR) by supporting sustainable transportation solutions for a more prosperous society. Focusing on solutions, in particular, UD Trucks aims to create shared value with stakeholders and the communities it serves by working with them to overcome the challenges we face together. Accordingly, the Company focuses on its know-how, technical expertise, human resources and networks to make positive and lasting contributions to the

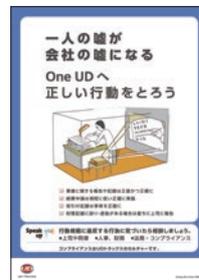
industry and society at large. Within the industry, it makes concerted efforts to reduce environmental impacts and promote safety in partnership with stakeholders. At the same time, UD Trucks carries out measures to ensure sound corporate governance and strengthen compliance in accordance with laws and regulations while closely following the Volvo Group Code of Conduct and other important group policies to fulfill its basic corporate responsibilities across all business activities.

Under this framework, UD Trucks encourages all employees to make a difference and help create a more sustainable world.



## The Volvo Group Code of Conduct

Aiming to ensure that its business activities are carried out ethically and in compliance with the laws of every country it operates in, the Volvo Group has specified basic principles and conduct for all of its employees around the world to follow in the Volvo Group Code of Conduct. UD Trucks has been implementing measures to maintain an in-depth awareness of the code among all of its employees, such as producing and distributing information including a handbook that explains exemplary cases related to the code. The Company also provides e-learning courses for all office workers along with management-led training courses at factories and dealerships.



A poster promoting the Volvo Group Code of Conduct



The Volvo Group Code of Conduct booklet

## CSR management system

At UD Trucks, community outreach activities are overseen by the manager in charge of CSR management. This manager along with the managers in charge of corporate communications and brand management, respectively, comprise the Company's CSR senior management team. In addition to coordinating CSR activities across all divisions and compiling information on those activities, the team formulates CSR-related strategies and plans as well as initiatives for raising awareness of the Company's CSR activities among employees and the public. To ensure these strategies and plans are consistently implemented company-wide, CSR managers are appointed in each division, and they jointly hold regular meetings to share inter-divisional information and plan specific activities. They report on the progress of these activities to executive management, and receive direction and approvals from executive managers.



## Systems for ensuring compliance

UD Trucks conducts its business activities in accordance with the Volvo Group Code of Conduct, which is organized under the five key principles of respecting one another, earning business fairly and lawfully, separating personal interests from business activities, safeguarding company information and assets, and communicating transparently and responsibly. To ensure that all of its members fully understand these principles of the Volvo Group

Code of Conduct, UD Trucks regularly provides legal compliance training and e-learning courses to employees and managers, along with training programs specifically designed for new employees and personnel in charge of relevant duties. UD Trucks has also set up an internal whistleblower system and audit program for facilitating prompt and proper responses to any cases of wrongdoing or suspicious actions.

## Risk management

At UD Trucks, efforts to strengthen risk management are led by the Security Management Division. Tasked with a diverse range of responsibilities, the division oversees the safety of employees and visitors at all workplaces, safeguards confidential information and intellectual property, handles emergency response activities,

formulates crisis management and business continuity plans, and makes preparations for resuming operations in the event of a disaster. UD Trucks has been maintaining safe and secure operations thanks to the division's ongoing efforts to identify risks and take proactive steps to prevent them from materializing.

## Information security

Based on the Volvo Group's information security policies, UD Trucks has taken measures for ensuring the security of its information and data, and is maintaining an information security governance system. To guard against an information system breakdown caused by a disaster, the Company stores and manages electronic information at an earthquake-resistant data center in addition to its head office. It has also stepped up

measures for preventing data breaches resulting from cyber-attacks, and regularly provides training sessions on improving information security to its dealers nationwide. In addition, UD Trucks strictly manages and protects all personal information it possesses in accordance with the Volvo Group's privacy policies.

## About UD Trucks Corporation

Since its founding in 1935, UD Trucks has been a key player in Japan's transport and logistics industry as a commercial truck manufacturer. The Company currently provides high-performance trucks and services in response to the needs of customers in over 60 countries worldwide.

### Company overview (As of September 30, 2020, unless otherwise stated)

Company name	UD Trucks Corporation
Date of foundation	December 1, 1935
Head office address	1-1, Ageo-shi, Saitama 362-8523, Japan
Capital	77.5 billion yen
Number of employees	6,442 employees including contract and temporary employees (as of December 31, 2019)
Main business	<p><b>Japanese business</b> Development, manufacture, export, and sales of heavy-duty trucks; sales of medium- and light-duty trucks; manufacture and sales of vehicle components; maintenance and sales of service parts for trucks and buses; import and sales of Volvo brand products.</p> <p><b>Businesses outside of Japan</b> Development, manufacture, and sales of heavy-, medium-, and light-duty trucks for growth markets; manufacture and sales of vehicle components; maintenance and sales of service parts for trucks and buses.</p>
Domestic group companies	VFS Japan Co., Ltd.; New-Mech Co., Ltd.
Main locations outside of Japan	UD Trucks Singapore Office; UD Trucks Bangkok Plant

### Officers



**Joachim Rosenberg**  
Chairman and representative director



**Takamitsu Sakamaki**  
President and representative director



**Jan Gurander**  
Director



**Masahiro Otsuki**  
Auditor

### History

Decade	Company history	Technical development and product launches
1930	1935 Originally established as Nihon Diesel Industries, Ltd., in the city of Kawaguchi, Saitama Prefecture	1938 First diesel engine 1939 First diesel truck
1940	1942 Renamed as Kanega-Fuchi Diesel Co., Ltd. 1946 Renamed as Minsei Sangyo Co., Ltd.	
1950	1950 Renamed as Minsei Diesel Industries, Ltd.	1955 Proprietary UD Engine, a powerful lightweight diesel engine 1958 6TW model truck, the first in Japan with a load capacity exceeding 10 tons
1960	1960 Renamed as Nissan Diesel Motor Co., Ltd. 1962 Commenced operations of the Ageo Plant	
1970		1975 Condor medium-duty truck
1990		1990 Big Thumb heavy-duty truck
2000	2007 Joined the Volvo Group	2004 Quon flagship heavy-duty truck
2010	2010 Renamed as UD Trucks Corporation 2014 Absorbed sales subsidiary UD Trucks Japan Corporation	2013 Quester heavy-duty truck for emerging markets 2014 Kazet light-duty truck 2017 New Quon and Condor truck models Croner medium-duty truck and Kuzer light-duty truck for emerging markets

### Products and services provided by UD Trucks



#### UD Trucks

Sales of Quon heavy-duty trucks, Condor medium-duty trucks, and Kazet light-duty trucks to Japan and other mature markets, and Quester heavy-duty trucks, Croner medium-duty trucks, and Kuzer light-duty trucks to emerging markets



#### Volvo Trucks

Sales of imported Volvo brand heavy-duty trucks to the Japanese market, including Volvo FH 4x2 and 6x4 tractors, and Volvo FMX 6x4 and 8x4 dump trucks



#### Volvo Penta

Sales of imported Volvo Penta brand industrial and marine engines to the Japanese market, including forklift and pleasure craft engines, and installation and technical support for original equipment manufacturers



#### Volvo Construction Equipment

Marketing and support for dealers selling Volvo brand construction equipment to the Japanese market, including hydraulic excavators, wheel loaders, articulated dump trucks, and related machinery

## About the Volvo Group

UD Trucks is a member of the Volvo Group, a global enterprise headquartered in Gothenburg, Sweden. The Volvo Group manufactures trucks, buses, construction equipment, and marine and industrial engines, while also providing financial services. Employing about 100,000 people worldwide, the Group manufactures its products at factories in 18 countries and sells them in more than 190 markets.

### Volvo products in everyday life



On the road

The Volvo Group's vehicles are widely used throughout the transport industry, delivering food to households and materials to production plants, enabling people to travel to their destinations, and building roads to drive on.



Off road

The Volvo Group's engines, machines and vehicles operate in construction sites, mines, and forests, while its irrigation equipment is deployed on agricultural land all over the world.



In the city

The Volvo Group's vehicles play important roles in daily life and public transportation systems. They include buses that take people to work and school, and trucks used for collecting rubbish and maintaining infrastructure.



At sea

The Volvo Group's marine engines are widely used for a diverse range of vessels at sea, including transport ships, pleasure boats, and rescue boats.

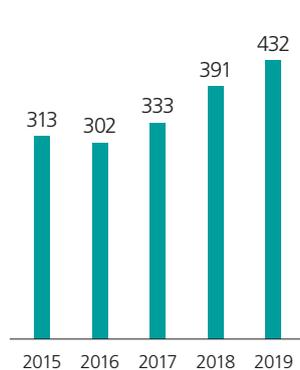
### Volvo's basic approach to CSR

"Driving prosperity through transport solutions" is the Volvo Group's mission. To fulfill it, the Group has formulated a vision backed by specific aspirations for all of its employees. To foster a corporate culture underpinning this future direction, the Volvo Group is promoting values for every employee to share and integrate in all operations, with a view to grow its business while helping make the world more sustainable. It has also created the Volvo Group Code of Conduct to specify basic principles and conduct for all employees to follow, and clearly explain business ethics and compliance-related issues relevant to all business activities.

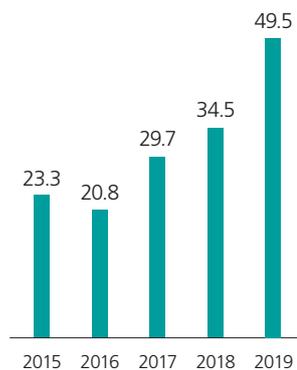


### Results of key performance indicators in 2019

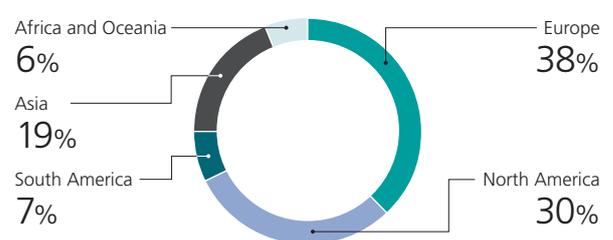
Net sales (SEK bn)



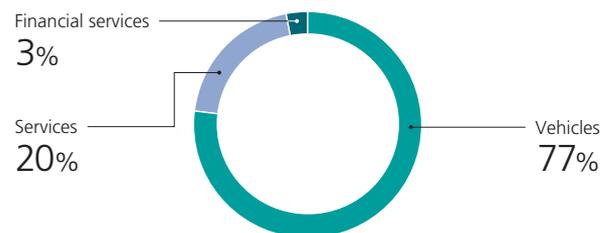
Operating income (SEK bn)



Share of net sales by market



Share of net sales by revenue type



Total number of employees	<b>103,985</b>
Share of women	<b>19%</b>

Total CO <sub>2</sub> emissions	<b>0.8 tons/SEK M</b>
Energy consumption	<b>5.1 MWh/SEK M</b>

SEK refers to the Swedish krona; 1 krona was worth approximately 12.2 US dollar as of November 30, 2020.

# UD Trucks Corporation

1-1, Ageo-shi, Saitama 362-8523, Japan  
udtrucks.com

