

# Societal Performance

Companies are increasingly being called upon to create a business framework to advance CSR initiatives covering not only their own in-house activities but also their value chain.

Hitachi aims to continue fulfilling its social responsibilities throughout the value chain. We thus take meticulous care in ensuring the compliance, ethical conduct, and fairness of our own activities and those of our business partners. We also seek to offer safe and rewarding workplaces for all employees based on the belief that enabling them to fully realize their potential is the source of our sustainable growth.

## Supply Chain Management

As a company that procures products and services from suppliers in regions and countries around the world, we are reviewing our own CSR standards, and auditing and cooperating with the CSR initiatives of our suppliers. Hitachi is also taking the lead in responding to the issue of conflict minerals by scrutinizing the countries where raw materials are mined in order to prevent infringements on human rights by countries engaged in conflict. Keeping abreast of global trends, we will continue to share and strengthen on a Group-wide basis our commitment to fulfilling our social responsibilities throughout the supply chain.

### Creating and Sharing Procurement Policies

Our basic procurement policy is contained in the Hitachi Guidelines for Procurement Activities, drafted in line with the United Nations Global Compact and which call for the elimination of discrimination in employment and occupation, the rejection of all forms of child and forced labor, and environmental protection activities. Suppliers are selected strictly in accordance with the guidelines.

In fiscal 2016, we released the *Hitachi Group CSR Procurement Guidelines*, a full revision of the 2009 *Hitachi*

*Group Supply Chain CSR Deployment Guidebook*. This revision incorporates the provisions of the Hitachi Group Codes of Conduct and also makes references to version 5.1 of the Electronic Industry Citizenship Coalition (EICC) Code of Conduct, promulgated in January 2016. We distribute the *Guidelines* to the approximately 30,000 suppliers of Hitachi business units and Group companies, from whom we request acknowledgment of suppliers' understanding in writing.

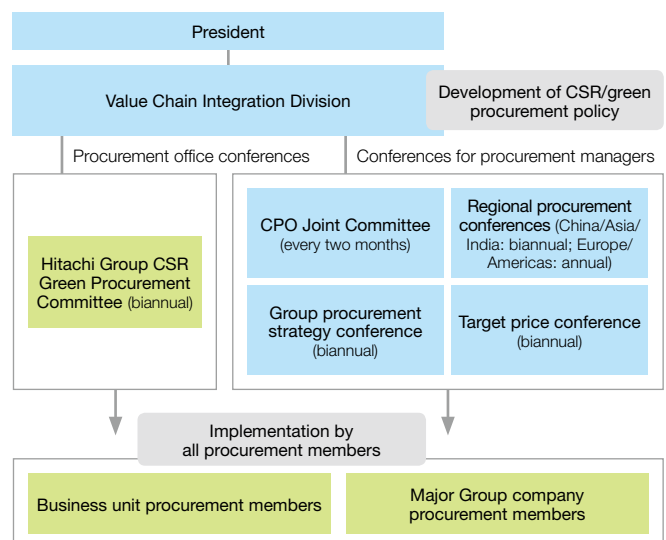
### CSR Supply Chain Management Framework

CSR supply chain management and green procurement policies and initiatives are discussed within Hitachi's Value Chain Integration Division, which is headed by the chief procurement officer (CPO) and reports directly to the president of Hitachi, Ltd. Policies and initiatives adopted by the division are shared throughout the Group via the Hitachi Group CSR Green Procurement Committee, which includes members from business units and key Group companies.

In fiscal 2011, we appointed procurement officers to oversee local procurement in China, the rest of Asia, Europe, and the Americas. We are expanding our suppliers in emerging nations while also strengthening our response to CSR-related risks expected to arise from the global expansion of our supply chain.

In fiscal 2015, we introduced a new initiative to provide information directly to suppliers in a face-to-face format. The January 2017 CSR and green procurement seminar held in Shenzhen for Hitachi Group partners in China was attended by 45 people from 32 companies.

#### Supply Chain Management Organizational Structure



## Implementation of CSR Monitoring (Self-Checks)

To monitor how well Hitachi's CSR supply chain management philosophy has been adopted by our suppliers, since fiscal 2007 we have asked key suppliers to conduct CSR Monitoring (self-checks) using the *JEITA Supply Chain CSR Deployment Guidebook* and detailed checklists, and in fiscal 2016 we collected checklists from 316 suppliers inside and outside Japan.

After analyzing the results, we provide feedback for the business operations related to the suppliers, and then work with those involved in the operations to resolve supplier-related issues.

Alongside the revisions made to the *Hitachi Group CSR Procurement Guidelines*, the checklists have also been fully updated to allow us to obtain a more detailed

understanding of the challenges our suppliers face. Starting in fiscal 2017, we will be asking our suppliers to conduct CSR Monitoring using the updated checklists.

### CSR Monitoring (Self-Check) Results

FY	Suppliers in Japan	Suppliers outside Japan	Checklists collected
2012	57	41	98
2013	55	45	100
2014	0	200	200
2015	0	218	218
2016	198	118	316
<b>Total*</b>	<b>310</b>	<b>724</b>	<b>1,034</b>

\* Total also includes self-check results from fiscal 2011.

## Implementation of CSR Audits

Since July 2012, the Hitachi Group Procurement Division has been auditing the manufacturing bases of suppliers in China and the rest of Asia. Our audits are based on the international SA8000 certification standard developed by Social Accountability International (SAI), an American CSR evaluation institution, and are conducted by an EICC-recognized auditor, who checks suppliers' CSR initiatives from such perspectives as labor and human rights, health and safety, the environment, and ethics.

No major infringements were found at the 20 Asian suppliers audited in fiscal 2016, but some small areas needing improvement were noted, such as overtime work exceeding stipulated rules (19 suppliers), failure to conduct periodic inspections of machinery and equipment (6), and insufficient management of hazardous waste (9). We have mandated that suppliers affected by these issues submit improvement action plans and will be working with and advising them until they complete the planned improvements.

## Human Rights Due Diligence in Procurement

Starting in fiscal 2015, the Hitachi Group Procurement Division began implementing human rights due diligence based on the Hitachi Group Human Rights Policy. With the consulting assistance of the nonprofit organization Shift, we have created a working group centered on the procurement and CSR divisions at Hitachi, Ltd.—which serve as the corporate divisions overseeing activities throughout the Group—and also including the procurement and CSR divisions of two in-house and four Group

companies and the CSR division of Hitachi Asia. The working group has evaluated human rights risks within the supply chain, set priorities, and considered measures for reducing risks.

In fiscal 2016, we published the revised *Hitachi Group CSR Procurement Guidelines* based on results obtained from activities in fiscal 2015 as well as input from a range of sources and perspectives, including Hitachi Europe Ltd., Hitachi (China), Ltd., and outside experts.

## Response to the Conflict Minerals Issue

Each Hitachi Group company is investigating and responding to the issue of conflict minerals in line with our customers' requests based on Hitachi's conflict mineral policy.

# Labor Practices

Hitachi has a human resource strategy that emphasizes the concept of “decent work” (that is, work that is humane and fulfilling). We make a thoroughgoing and meticulous effort to realize this ideal, actively pursuing dialogue with all employees on their basic rights and career development and setting up a variety of consultation opportunities as well as mechanisms—just in case—to report compliance abuses. We also implement a variety of initiatives reflecting the globalization of our business, from promoting diversity and inclusion in our human capital to globally implementing fair employee evaluation systems and working conditions.

## Global Human Capital Development

### Advancing Global Human Capital

Our global human capital management strategy optimizes both human and organizational performance. One example of our initiatives is the Global Human Capital Database covering all Hitachi Group employees, excluding factory workers outside Japan. This database enables us to fully ascertain the status of worldwide Group human capital. We have also built a global grading system that applies to all managers in the Hitachi Group worldwide, using it as a common platform for job evaluations throughout the Group and as a common standard for assessing the value of management duties.

We began to thoroughly revise our training of management candidates in fiscal 2015, implementing the Global Advanced Program for Key Positions (GAP-K) to

accelerate their development. In fiscal 2016, 23 people were selected to participate in GAP-K over a three-month period. Additionally, Hitachi has held the Global Advanced Program for Leadership Development (GAP-L) in Singapore every year since fiscal 2012. The program mainly targets local human resources with potential for leadership at the respective subsidiaries outside Japan. In fiscal 2016, 24 leaders from around the world took part in the program.

Starting in fiscal 2014, we also initiated a globally standardized training course for general managers and new managers. To date, around 7,200 people worldwide have taken part in this course across our Group.

### Conducting a Global Employee Survey

Since fiscal 2013, we have been conducting an annual global employee survey called Hitachi Insights as a way of measuring employee engagement.\* In September 2016, the survey was administered for the fourth time. Around 210,000 employees worldwide were sent the survey in one of 14 different languages, and roughly 180,000 responses were received.

The results for internal awareness and understanding of the 2018 Mid-term Management Plan and employee attitudes toward Hitachi’s corporate culture improved in all 14 categories, including those concerning the plan’s targets, compared to the findings of the previous fiscal year’s survey.

Scores were particularly high for “pride in your company” and “teamwork,” but those for “resources and support” remained low from fiscal 2015. Employees may have expected Hitachi to do better on the level of staffing as well as information and resource tools—a situation we will continue to address by reforming working patterns, introducing new tools, and deepening communication with employees.

\* Hitachi uses the term “engagement” to refer to employees’ understanding of the company’s strategies and policies, as well as their job satisfaction and desire to take actions on their own initiative to bring about results.

### Career Development Initiatives

Hitachi believes that the starting point of career development is the work that employees perform on a daily basis. Based on Hitachi’s Global Performance Management (GPM), we implement a cycle aimed at the growth of each employee through a process in which goals for daily tasks are set and then pursued, followed by the evaluation of the results to formulate the next objectives.

Along with our workplace-centered initiatives, we also provide direct support for individual employees through our career development programs. In fiscal 2002 we launched the Hitachi Career Development Workshop (H-CDW) as a

Group-wide initiative in Japan. Around 9,700 people have participated in the program so far (as of March 31, 2017), with a focus on technicians, managers, and researchers in their thirties. According to the January 2016 survey conducted of the most recent participants, about 80% of the 422 answers received from group managers and about 70% of the 277 answers from section chiefs agreed that “H-CDW has been helpful to my career development and work.” Of the responses from section chiefs, about 60% reported making use of their workshop experiences in managing subordinates.

## Diversity and Inclusion

### Promoting Diversity and Inclusion

Diversity is the wellspring of innovation and our growth engine. Hitachi regards personal differences—gender, nationality, work history, age, sexual orientation, and philosophy—as facets of people’s individuality. By respecting our employees’ individualities and positioning them as an advantage, Hitachi frames its diversity and inclusion as conducive to both the individual’s and the company’s sustainable growth.

Since the 1990s, we have been at the social forefront in supporting women and other members of our multifaceted workforce. This includes setting up systems to help balance work with child and nursing care. Entering Phase 3 of our diversity management roadmap, we are embracing diversity as a management strategy under the slogan of “Diversity for the Next 100.” This means creating

an environment where women and other members of our varied workforce can use their skills in leadership and business management. In October 2016, we introduced an Allowance for Balancing Child Care and Work to further promote balance between work and child care.

The Diversity Development Project, launched in fiscal 2006 under the president’s direct leadership, was replaced in fiscal 2009 with the Diversity & Inclusion Development Center, which currently operates under the direct supervision of the Human Capital Group.

Additionally, Hitachi and 17 Group companies jointly operate the Advisory Committee and the Diversity Development Council to accelerate awareness across Hitachi as a whole, including support for diverse human capital and work-life management.

### Developing Women’s Careers

Hitachi, Ltd. has created two key performance indicators (KPIs), announced in fiscal 2013, to enable as many female employees as possible to take up leadership positions and to participate in management decision making. We organize a variety of seminars to boost women’s motivation and also take steps to enhance awareness and create a women-friendly corporate culture in workplaces as a whole—including managers and male employees. Employee compensation is set according to each individual’s roles and achievements, with no divisions or differences based on gender or age.

In November 2016, we hosted the first Global Women’s Summit for female employees of the Hitachi Group. Held in the United Kingdom, the event was attended by more than 120 staff members from 25 Group companies around the world and featured a keynote speech from an external speaker and workshops on topics ranging from unconscious bias to individual career development. The participants also shared stories about their careers and the issues they faced at their workplace.

#### Goals for Hitachi, Ltd. (KPIs)

- Appoint female executives by fiscal 2015 by promoting from within (including the CSR and Environmental Strategy Division chief as a corporate officer in April 2015).
- Increase the number of female managers in Japan to 1,000 by fiscal 2020 (2.5 times more than at the end of fiscal 2012).

### Recruiting Human Capital in Europe

The railway business, which is an important business field for Hitachi, is promoting the recruitment of local human capital. We shifted the primary site of our railway business to London in 2014 and built a global operations framework managed by Hitachi, Ltd. and several other Group

companies, with 40% of senior management positions held by European personnel. The CEO of global operations is a London local who has since become an executive officer at Hitachi, Ltd.

## Occupational Health and Safety

### Fundamental Idea for Occupational Health and Safety

Ensuring the health and safety of all employees is the basic principle underlining the Hitachi Group Health and Safety Policy. This policy is shared by all Hitachi Group companies around the world. Employees work together to create safe, secure work environments that aim to be accident free.

#### Hitachi Group Health and Safety Policy

**Principle** ► “Health and Safety Comes First.”

**Policies** ► In accordance with our mission, “Contribute to society through the development of superior, original technology and products,” the Hitachi Group will endeavor to ensure safe and healthy workplaces under the principle of “Health and Safety Always Comes First.”

To accomplish this, we will:

1. Continually be involved in health and safety activities in order to prevent work-related injuries and sickness by designating the health and safety of employees as management’s top priority.
2. Comply with the local laws and regulations in each company regarding health and safety.
3. Develop a safe and comfortable work environment by encouraging employees to maintain their own health and taking a proactive stance on health and safety activities in the workplace.
4. Require an understanding of Hitachi’s principle and the promotion of health and safety awareness from all business partners of the Hitachi Group.
5. Contribute to the creation of a safe and pleasant society by emphasizing activities that make health and safety a top priority in all of Hitachi’s business activities.

Revised November 2013

### Framework for Promoting Health and Safety

Hitachi views occupational health and safety as vital preconditions for advancing our business. Manufacturing and maintenance are particularly accident-prone lines of work, and we have around 36,000 employees performing work of this type in Japan. We promote a range of Group-wide occupational health and safety activities globally that include preventing workplace accidents by setting and applying minimum safety standards to be observed by Group manufacturers as well as taking additional measures tailored to the specific conditions at each company. We respond quickly when an accident occurs and use lessons from the incident to make improvements and boost our levels of health and safety management.

In accordance with Japanese law, a health and safety commission—composed of company representatives, labor-union officials, and employees—is convened every month to discuss and share information related to such issues as workplace accident causes and

countermeasures, the situation regarding employees who have taken sick leave, and other points of concern. In 2016, we recorded one fatal workplace accident in Japan and two in the rest of Asia.

We built the Hitachi Group Health and Safety Portal System in 2012 to ensure that the health and safety performance of every Hitachi Group company in Japan is shared by the entire Hitachi Group. Group-wide information on work accidents is registered in the system so that companies can track causes and see what preventive measures have been initiated. To help prevent recurrences, statistics are kept on types of accidents. Since 2014, we have carried out initiatives to share information on workplace accidents globally, including one that tracks and provides feedback on accidents occurring at Group companies outside of Japan.

# Communicating CSR Initiatives and Material Issues

Building positive ties with our various business stakeholders is an important management issue that contributes to achieving not only a sustainable society but also to Hitachi's sustainable growth.

Hitachi views CSR as being centered on stakeholder engagement and continually implements initiatives in accordance with a nine-item framework for CSR management. We communicate our achievements through channels including the *Hitachi Sustainability Report* and also engage in stakeholder dialogue to build an even better relationship with society.

## Items Covered in the *Hitachi Sustainability Report*

Themes	Material issues	GRI Standards
<b>1 Recognition of social responsibility</b>	Realizing sustainable, innovative management	GRI 203: Indirect economic impacts
	Understanding issues through dialogue and taking part in initiatives	
<b>2 Corporate governance</b>	Pursuing management transparency and efficiency	
	Sharing the Hitachi Group Identity	GRI 205: Anti-corruption GRI 419: Socioeconomic compliance
	Advancing risk management on multiple fronts	
<b>3 Human rights</b>	Respect for human rights throughout the value chain	GRI 412: Human rights assessment GRI 408: Child labor GRI 409: Forced or compulsory labor GRI 410: Security practices GRI 411: Rights of indigenous peoples GRI 414: Supplier social assessment
	Respect for workers' rights	GRI 402: Labor/management relations GRI 406: Non-discrimination GRI 407: Freedom of association and collective bargaining
<b>4 Labor practices</b>	Achieving a fair and equitable work environment	GRI 401: Employment GRI 402: Labor/management relations GRI 202: Market presence
	Promoting diversity and inclusion	GRI 405: Diversity and equal opportunity
	Promoting occupational health and safety	GRI 403: Occupational health and safety
	A strategy for growing together with our global human capital	GRI 404: Training and education
<b>5 Environment</b>	Promoting environmental management	GRI 201: Economic performance
	Enhancing environmental management on an ongoing basis	GRI 302: Energy GRI 305: Emissions GRI 306: Effluents and waste GRI 307: Environmental compliance GRI 308: Supplier environmental assessment GRI 404: Training and education
	Responding to environmental risks and opportunities	GRI 201: Economic performance
	Achieving a low-carbon society	GRI 301: Materials GRI 302: Energy GRI 305: Emissions
	Achieving a resource efficient society	GRI 303: Water GRI 306: Effluents and waste
	Achieving a harmonized society with nature	GRI 304: Biodiversity
<b>6 Fair operating practices</b>	Promoting work practices in line with international ethics codes	GRI 419: Socioeconomic compliance GRI 205: Anti-corruption GRI 206: Anti-competitive behavior GRI 415: Public policy
	Engaging in responsible procurement	GRI 204: Procurement practices GRI 414: Supplier social assessment GRI 308: Supplier environmental assessment
<b>7 Customers (consumer issues)</b>	Pursuing customer satisfaction	GRI 417: Marketing and labeling
	Ensuring accessibility to products and services	GRI 417: Marketing and labeling
	Ensuring thorough management of quality and safety	GRI 416: Customer health and safety GRI 418: Customer privacy GRI 419: Socioeconomic compliance
<b>8 Community involvement and development</b>	Promoting sustainable community involvement and development	GRI 413: Local communities
<b>9 Review and improvement of CSR activities</b>	Enhancing CSR management	