

# Value Chain Responsibilities

## Achieving a Sustainable Value Chain

We are deeply involved in social infrastructures in areas where risks can affect society as a whole. We acknowledge our responsibility to minimize the impact of such risks. Also, the global expansion of our value chain means that we come into direct contact with diverse work environments, business customs and practices in a variety of countries and regions. Accordingly, we need to make a conscious effort to conduct business in a manner that respects the human rights of all people involved. Furthermore, we are reinforcing business continuity plans (BCPs) and tightening our information security to ensure a stable supply of our products and services and to prevent threats to our networks that could severely disrupt business operations.

We also recognize that human rights are an important management priority. We work to ensure respect for the human rights of all of our stakeholders, including employees and individuals throughout our supply chain, in all countries and regions in which we conduct business. At the same time, we are quickly implementing and promoting detailed CSR production policies at all Group companies, as we procure products and services from suppliers and partners in a variety of countries and regions around the globe.

## Procurement BCPs Policies and Framework

To minimize heavily impact from disasters, the procurement divisions in business units and key Group companies have created procurement BCPs that (1) standardize and use generic parts to make procurement as flexible as possible; (2) cultivate multiple suppliers; (3) distribute production across several locations; (4) budget inventory strategically; and (5) consider substitute products.

To see whether or not procurement BCPs would be effective, we held desktop exercises to discuss in a group what should be done during and after a disaster, making further improvements as a result.

In fiscal 2018, all major Group business sites with production lines (approximately 210 sites in total) took steps to maintain and strengthen the procurement BCPs they had created by the previous fiscal year, thereby contributing to the continuation of Hitachi's global operations.

## CSR Procurement Policies and Framework

### Creating and Sharing Procurement Policies

We base our procurement activities on the *Hitachi Guidelines for Procurement Activities*, while sharing global supply chain issues within the Group. All Group companies follow these guidelines. The guidelines were created in line with the United Nations Global Compact and include the elimination of discrimination in employment and occupation, the rejection of all forms of child and forced labor, and environmental protection activities. To ensure that the *Hitachi Group CSR Procurement Guidelines'* provisions are strictly followed, we distribute to the approximately 30,000 suppliers of Hitachi business units and Group companies, from whom we request acknowledgment of suppliers' understanding in writing. Tier 1 suppliers are further asked to confirm that tier 2 suppliers also follow the provisions in the guidelines. To procure parts and materials manufactured with reduced environmental impact, so that suppliers help to protect the environment, we led the industry in developing *Green Procurement Guidelines*. These define our basic position on procuring parts and products that do not have a negative impact on the global environment, as well as our requirements of suppliers, so that we can work together to promote green procurement.

## 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 after this discussion are shared throughout the Group through the Hitachi Group CSR/BCP Procurement Committee, which includes members from business units and CSR/BCP Procurement Committees at key Group companies.

## 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. After collecting and 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 issues related to the suppliers. In fiscal 2018 we asked 345 suppliers inside and outside Japan to conduct CSR monitoring (self-checks) and received survey replies from them.

## Implementation of CSR Audits

Since July 2012, Hitachi, Ltd. has been auditing the manufacturing bases of its and Group companies' suppliers in China and the rest of Asia.

In fiscal 2018, we conducted CSR and environment audits of 24 suppliers in China. For these audits, we engaged external evaluators such as the experienced CSR auditing company Intertek Certification.\*

No major infringements were found at the suppliers audited, but some small areas needing improvement were noted. The relevant suppliers were requested to submit improvement action plans, and Hitachi, Ltd., together with Group companies, will work with and advise the suppliers until they complete the planned improvements.

\* Intertek Certification: With a presence in over 100 countries across the globe, the Intertek Group provides a wide array of certification services in every industrial field.

## Human Rights Due Diligence in Procurement

### Basic Policy

Hitachi believes that respecting human rights is our responsibility as a global company and indispensable in conducting business. To this end, in May 2013 we formulated the Hitachi Group Human Rights Policy. In this policy, we clarify our understanding of human rights as being, at a minimum, those outlined in the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. This policy shapes Hitachi's approach to meeting the responsibility to respect human rights, including implementing human rights due diligence\* in line with the UN Guiding Principles on Business and Human Rights, providing appropriate education to employees, adhering to laws and regulations in all the regions and countries where we operate, and seeking ways to honor the principles of international human rights when faced with conflicts between internationally recognized human rights standards and national laws.

\* Human rights due diligence: An ongoing process to identify and assess potential and actual human rights negative impacts, take appropriate action to prevent or mitigate potential impacts, track the effectiveness of actions to address impacts and communicating externally.

Hitachi Group Codes of Conduct

<https://www.hitachi.com/about/corporate/conduct/index.html>

Hitachi Group Human Rights Policy

[https://www.hitachi.com/sustainability/renew/pdf/human\\_rights\\_policy.pdf](https://www.hitachi.com/sustainability/renew/pdf/human_rights_policy.pdf)

Starting in fiscal 2015, the Hitachi Group Procurement Division began implementing human rights due diligence based on the Hitachi Group Human Rights Policy. In fiscal 2017, we incorporated the results of human rights due diligence into the revision of our CSR procurement guidelines for suppliers while also thoroughly revising the questions on the check sheet used in supplier CSR monitoring (self-checks), to better grasp the issues.

### Addressing the Risks of Child and Forced Labor

The Hitachi Group Codes of Conduct clearly express Hitachi's firm stance against the use of child labor or forced labor along our supply chain. Hitachi's CSR procurement guidelines for suppliers also clearly forbid the use of child labor or forced labor, as part of our efforts to raise awareness all along the supply chain.

In fiscal 2018 we assessed the risks of forced labor at about 100 offices of Hitachi Group companies located in seven Southeast Asian countries (Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam). The assessment was conducted with the cooperation of Verité Southeast Asia (VSEA), an internationally active nonprofit organization, using a checklist for suppliers revised in fiscal 2017 based on the Responsible Business Alliance (RBA) Code of Conduct, formerly the Electronic Industry Citizenship Coalition (EICC).

## Response to the Conflict Minerals Issue

Hitachi released a Conflict Minerals Procurement Policy in September 2013. Our *Request to Our Suppliers*, based on this policy, is published on our website as a clear statement of our position.

Based on these policies, each Hitachi business unit and Group company investigate its use of conflict minerals and reports the results to customers when requested.

Hitachi Group Conflict Minerals Procurement Policy:

<https://www.hitachi.com/procurement/csr/csr/index.html>