

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.

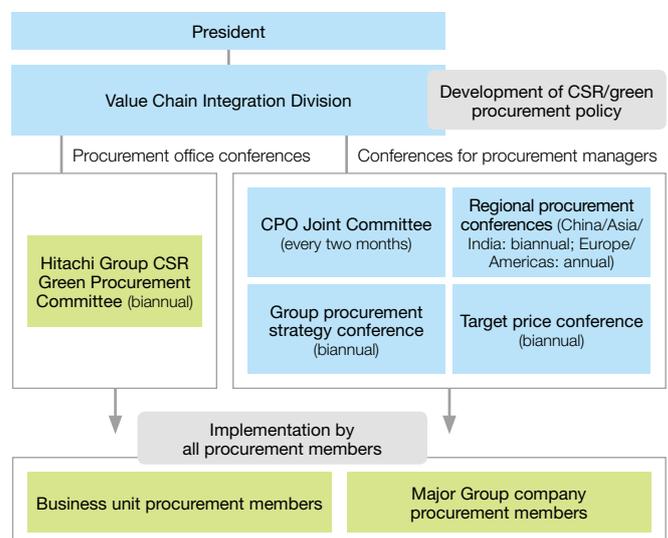
CSR Supply Chain Management Framework

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
Total*	310	724	1,034

* 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.