

# Engaging in Responsible Procurement

In seeking to be a company that continually fulfills its social responsibility throughout the value chain, Hitachi strictly adheres to laws and regulations and acts in a moral and fair manner with all its business partners.

## Promoting CSR Procurement

### 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. Suppliers are selected strictly in accordance with the *Hitachi Guidelines for Procurement Activities*.

A fully revised version of the *Hitachi Group CSR Procurement Guidelines* was released in fiscal 2016. This revision incorporates the provisions of the Hitachi Group Codes of Conduct and also makes references to version 5.1 of the Responsible Business Alliance (RBA, formerly called EICC) Code of Conduct, promulgated in January 2016. To ensure that the guidelines' provisions are strictly followed, 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. Tier 1 suppliers are further asked to confirm that tier 2 suppliers also follow the provisions in the guidelines.

We plan to revise these guidelines regularly in the future to ensure that they always reflect the demands of global society regarding corporate supply chain management.

**Guidelines for Procurement Activities:**

[http://www.hitachi.com/procurement/policy/\\_icsFiles/afiedfile/2018/06/07/guidelines.pdf](http://www.hitachi.com/procurement/policy/_icsFiles/afiedfile/2018/06/07/guidelines.pdf)

**CSR/Green Procurement:**

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

### Implementation of CSR Monitoring and Audits

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 2017, we asked 131 suppliers inside and outside Japan to conduct CSR Monitoring and received survey replies from them. From fiscal 2017, all checklists were fully updated in accordance with the revisions made to the *Hitachi Group CSR Procurement Guidelines*. Based on the results of the survey, we have identified problematic labor-related trends, and we will promote measures to address such issues going forward.

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 2017, we conducted CSR audits of 18 suppliers. Our audits are based on the international SA8000 certification standard developed by Social

Accountability International (SAI), an American CSR evaluation institution. An RBA-recognized auditor checks suppliers' CSR initiatives from the perspectives of labor and human rights, health and safety, the environment, and ethics. No major infringements were found at the 18 suppliers audited in fiscal 2017, but some small areas needing improvement were noted, such as overtime work exceeding stipulated rules (14 suppliers), failure to conduct periodic inspections of machinery and equipment (12), and insufficient management of hazardous waste (7). 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.



**We hope to contribute to the development of sustainable consumption and production patterns within society by addressing societal issues within our value chain.**

### Number of CSR Audits



## Respect for Human Rights

### Human Rights Due Diligence in Procurement

Our pledge under the Hitachi Group Human Rights Policy is to develop human rights due diligence mechanisms and implement them on an ongoing basis. Based on the results of the pilot programs undertaken with certain entities in fiscal 2014 across six countries in the ASEAN region under this policy, we have formulated a set of written guidelines for implementing human rights due diligence in collaboration with the US-based NPO Shift\*.

In fiscal 2015, we initiated human rights due diligence in the procurement divisions, whose activities are at risk of negatively impacting the human rights of workers in the supply chain and local communities. In fiscal 2017, we completely revised the questions on the check sheet used in supplier CSR monitoring (self-checks) to better grasp the issues related to workers' rights at suppliers, as well as health and safety and the environment. We also visited one of our suppliers in Malaysia with members of the US nonprofit organization BSR (Business for Social Responsibility) to conduct an assessment on migrant workers, who are socially vulnerable and often said to be exploited by forced labor. The assessment was based on interviews with managers of human resources and production divisions, recruitment agencies, and migrant workers, along with inspection of the factories and dormitories.

### Response to the Conflict Minerals Issue

The policy for procurement departments of Hitachi has always been and will continue to be to ensure that procurement activities do not result or aid in conflicts within the same region and that the armed groups described above do not benefit from those activities, while continuing responsible procurement activities of minerals that are not related to the conflicts in the region based on local laws. At the same time, we will continue to support the practice of due diligence based on the "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas" among companies. With these in mind, Hitachi Group would like to request all of our suppliers to utilize the Conflict

Fiscal 2016 also saw the launch of human rights due diligence for human resources divisions at Hitachi. The operations in those divisions touch on many issues connected to human rights for employees, including working hours, employee treatment, and health and safety. Human rights risks for employees were assessed and prioritized, and mitigation strategies were explored. They also investigated grievance mechanisms, analyzing existing procedures and exploring ideas for improvement. Going forward, Hitachi will further promote human resources initiatives by its business units and Group companies.

Since fiscal 2014, Representative Executive Officer, President, and CEO Toshiaki Higashihara has sent an annual human rights message on Human Rights Day (December 10). In fiscal 2017, this was distributed via email to executives and employees at Hitachi, Ltd. and Group companies worldwide.

\* John Ruggie, former Special Representative of the Secretary-General on business and human rights, founded this NPO with the team that drafted the *UN Guiding Principles on Business and Human Rights*.

Hitachi Group Human Rights Policy:

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

Minerals Reporting Template developed by RBA/GeSI to continue checking the country of origin and supply chain of minerals, and also to procure from the CFS (Conflict Free Smelter)\* listed within.

\* A list of smelters who have been identified as "not being involved in the conflict within the same region" by the Responsible Minerals Initiative (RMI), an organization that was founded by the RBA/GeSI, which is a group that aims to solve the conflict minerals problem.

Hitachi Group Conflict Minerals Procurement Policy:

[http://www.hitachi.co.jp/procurement/csr/\\_icsFiles/afieldfile/2018/06/07/CM\\_PP\\_RE\\_E.pdf](http://www.hitachi.co.jp/procurement/csr/_icsFiles/afieldfile/2018/06/07/CM_PP_RE_E.pdf)



Respect for human rights is the foundation of all 17 SDGs. In working to achieve such goals, it is important that we mitigate any negative impacts related to human rights caused by our business activities throughout the value chain.

#### Distributed CEO's human rights message to

Fiscal 2015

Fiscal 2016

Fiscal 2017

Approx. 148,000 people

Approx. 156,000 people

Approx. 178,000 people