



Management Approach

Activities

Performance Data

Review and Improvement of CSR Activities ➤ Enhancing CSR Management

## Review and Improvement of CSR Activities

### ➤ Hitachi's Aims

Our society faces a wide range of problems, including global warming, poverty, and social discrimination, and demand is growing for corporations to address these problems.

To meet these expectations, Hitachi is integrating its management and CSR, incorporating CSR into routine business practices throughout the organization and improving the quality of management by implementing the PDCA cycle. By communicating with our stakeholders, we are affirming our relationship of trust with society, and by sharing values with stakeholders, we will aim to achieve both the sustainable development of society and our economic growth as a global company.

## Enhancing CSR Management

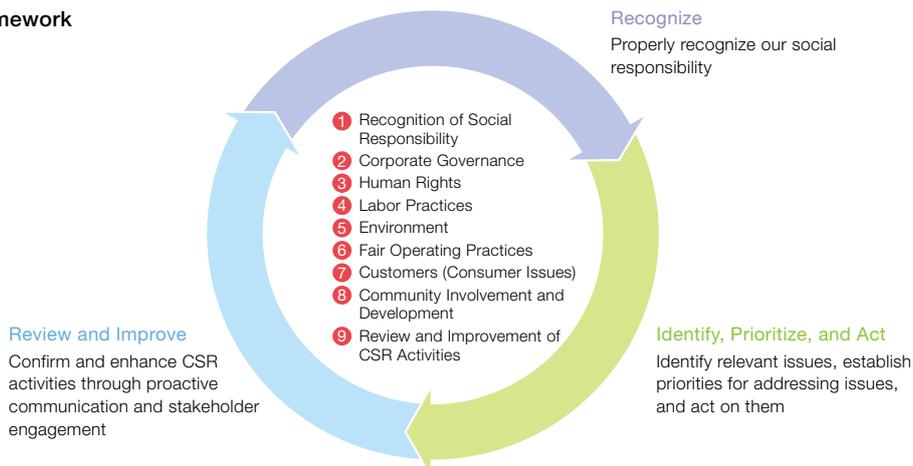
### Hitachi's Approach

We are building our CSR policy on a framework based on ISO 26000 to promote activities that are consistent throughout the Group, actively organizing global CSR meetings and undertaking initiatives at the national and regional levels, with the aim of building and developing a global, Group-wide CSR network. We attach importance to information disclosure, on which communication with stakeholders is based, and are responding to stakeholder needs through the *Hitachi Sustainability Report*, containing standard disclosures defined in the GRI Sustainability Reporting Guidelines.

### Hitachi's CSR Management Framework

To realize the Hitachi Group Vision, which draws on our Corporate Credo and Founding Spirit that form the core of our CSR, we have been sharing throughout the Group our CSR Policy, created in 2005, as the basis of our CSR activities. In keeping with a management strategy of actively advancing our Social Innovation Business, we have, since fiscal 2014, adopted a framework of nine key themes based on ISO 26000 with the aim of further integrating management and CSR and continually improving our CSR activities by running the PDCA cycle.

#### CSR Management Framework





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Performance Data

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**Hitachi's Engagement with Material Issues**

Hitachi's CSR activities are premised on an accurate perception of changing social issues and expectations. To strengthen the integration of management and CSR, from fiscal 2015 to the first quarter of fiscal 2016, Hitachi, Ltd. prioritized, from its own perspective, its CSR initiatives in accordance with the 2018 Mid-term Management Plan. As a result, three material issues were identified, namely, social innovation, collaborative creation, and the environment. Our aims for each item were formulated, and initiatives are being actively advanced using the CSR management framework as the foundation for the achievement of those aims.

**Hitachi's Material Issues**

| Material issues        | Aims for each issue  |
|------------------------|--|
| Social innovation      | Utilize digital technology, which can connect all things, to offer optimum solutions to social issues  |
| Collaborative creation | Share understanding of issues and ideals with various stakeholders, suggesting and implementing solutions with them, to create new social value and minimize adverse risks |
| Environment            | Resolve environmental issues involving climate change, resources, and ecosystems throughout the value chain  |

**The Selection and Boundaries of CSR Reporting Themes**

In reporting the achievements of its CSR initiatives, Hitachi seeks to select those themes that are of interest to its stakeholders. To ascertain the ever-changing interests of stakeholders in the light of fluctuating economic and social conditions, we have endeavored since fiscal 2014 to give specific examples of our initiatives under our nine-item CSR management framework. We take note of stakeholders' own priorities, analysis conducted by outside consultants, and the opinions of experts in choosing initiatives that correspond to our nine framework items. These are further screened with reference to the ESG (environmental, social, and governance) investment indexes and SASB (Sustainability Accounting Standards Board) standards, reviewed by the executive officer in charge of CSR, and reflected, starting this year, in *Hitachi Sustainability Report 2016*.

We also aim to provide a more detailed account of the reported themes' social impact by clarifying the boundaries (importance to internal and external stakeholders) of each theme.

| Items | Reporting themes   | Reporting boundary   |          |   |
|-------|--|--|----------|---|
|       |  | Internal   | External |   |
| 1     | Recognition of social responsibility                                 | Realizing sustainable, innovative management                     | ●        | ● |
|       | Understanding issues through dialogue and taking part in initiatives | ●  | ●        |   |
| 2     | Corporate governance   | Pursuing management transparency and efficiency                  | ●        | ● |
|       | Sharing a Hitachi Group Identity                                     | ●  | ●        |   |
|       | Advancing risk management on multiple fronts                         | ●  | ●        |   |
| 3     | Human rights   | Respect for human rights throughout the value chain              | ●        | ● |
|       | Respect for workers' rights  | ●  |          |   |
| 4     | Labor practices  | Achieving a fair and equitable work environment                  | ●        |   |
|       | Promoting diversity and inclusion                                    | ●  |          |   |
|       | Promoting occupational health and safety                             | ●  |          |   |
|       | A strategy for growing together with our global human capital        | ●  |          |   |
| 5     | Environment  | Promoting environmental management                               | ●        | ● |
|       | Enhancing environmental management on an ongoing basis               | ●  | ●        |   |
|       | Responding to environmental risks and opportunities                  | ●  | ●        |   |
|       | Reducing the environmental burden of our business operations         | ●  | ●        |   |
|       | Preserving ecosystems  | ●  | ●        |   |
| 6     | Fair operating practices   | Promoting work practices in line with international ethics codes | ●        | ● |
|       | Engaging in responsible procurement                                  | ●  | ●        |   |
| 7     | Customers (consumer issues)  | Pursuing customer satisfaction                                   | ●        | ● |
|       | Ensuring accessibility to products and services                      | ●  | ●        |   |
|       | Ensuring thorough management of quality and safety                   | ●  | ●        |   |
| 8     | Community involvement and development                                | Promoting sustainable community involvement and development      | ●        | ● |
| 9     | Review and improvement of CSR activities                             | Enhancing CSR management   | ●        |   |



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Performance Data

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**CSR Management Structure**

In October 2013, the CSR Division and the Environmental Strategy Office at Hitachi, Ltd. merged to form the CSR and Environmental Strategy Division. We are sharing the Hitachi Group CSR Statement and Mission, created in fiscal 2014 to lay out the goals of the new organization, with business units and Group companies.

To promote CSR across the Group, the CSR and Environmental Strategy Division, together with CSR-related departments at Hitachi, Ltd. (the CSR Promotion Team\*<sup>1</sup>) and CSR departments of business units, Group companies, and regional headquarters outside Japan, hold regular global CSR meetings to share a common direction and develop Group-wide CSR policies and initiatives.

To fulfill our social responsibilities, as well as to seek sustainable growth as a global company, we conduct

stakeholder dialogue on a worldwide basis in cooperation with our regional headquarters and take a proactive approach to incorporating global social issues into our management strategy while continuously striving to improve the quality of our management.

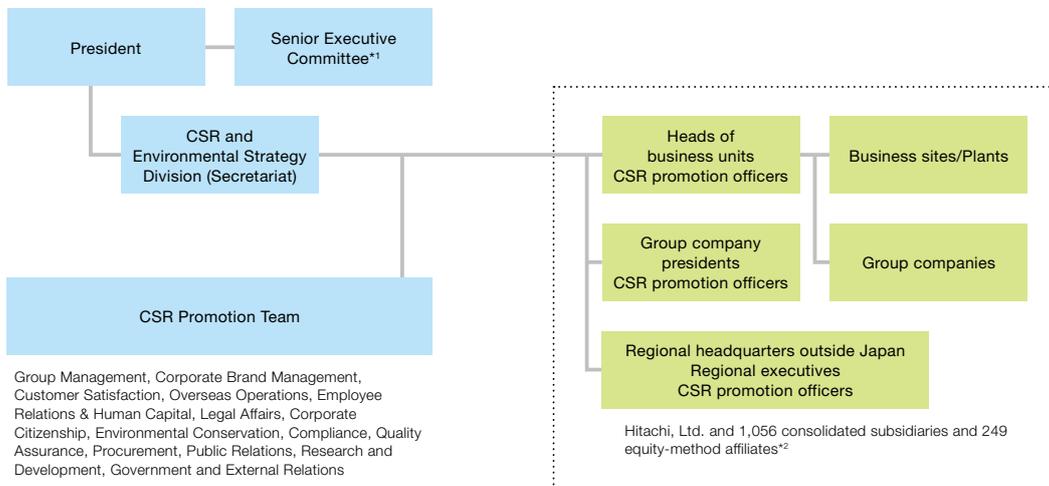
\*1 CSR Promotion Team: Takes the lead in implementing important CSR initiatives throughout the Group.

**Hitachi Group CSR Statement and Mission**

We strive to realize a sustainable society by properly understanding global social and environmental expectations through communication with our various stakeholders and integrating those expectations into our management:

- CSR and environmental initiatives that contribute to solving social issues
- Governance that realizes sustainable management
- Communication that fosters mutual understanding with stakeholders

**Structure of Hitachi Group CSR Promotion**



\*1 Senior Executive Committee: Develops CSR management policies at the executive level.

\*2 As of March 31, 2016.

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## Main Plans and Results

## Recognition of Our Social Responsibility

| Policies  | FY 2015 goals/plans  | Results in FY 2015   | Achievement level | FY 2016 goals/plans   |
|---|--|--|-------------------|---|
| <ul style="list-style-type: none"> <li>Perception of company's impact on society through interactive communication with stakeholders</li> </ul>   | <ul style="list-style-type: none"> <li>Engage in stakeholder dialogue in Japan</li> </ul>  | <ul style="list-style-type: none"> <li>Conducted objective evaluation of material issues</li> <li>Held six dialogues with experts, investors, research firms, and others</li> </ul>  | ★★★               | <ul style="list-style-type: none"> <li>Continue stakeholder dialogue at business units</li> </ul>   |
|   | <ul style="list-style-type: none"> <li>Engage in stakeholder dialogue outside Japan</li> </ul>   | <ul style="list-style-type: none"> <li>Held dialogues in India, Australia, Europe, and China</li> </ul>  | ★★                | <ul style="list-style-type: none"> <li>Continue stakeholder dialogue outside Japan</li> </ul>   |
| <ul style="list-style-type: none"> <li>Implementation of PDCA cycle on the formulation and communication (inside and outside the company) of the vision and growth strategy for CSR management</li> </ul> | <ul style="list-style-type: none"> <li>Confirm progress in the final year of 2015 Mid-term Management Plan and implement measures to achieve targets</li> <li>Examine longer-term issues in formulating 2018 Mid-term Management Plan while also considering and developing specific measures</li> </ul> | <ul style="list-style-type: none"> <li>Strengthened frontline functions through realignment into 12 business units to accelerate collaborative creation with customers</li> <li>Management executives reviewed strategic scenarios of each business unit in preparation for 2018 Mid-term Management Plan</li> </ul> | ★★                | <ul style="list-style-type: none"> <li>Develop human capital through special training program (19,000 employees by fiscal 2018)</li> <li>Formulation and announcement of 2018 Mid-term Management Plan and promotion of strategic projects</li> </ul> |
| <ul style="list-style-type: none"> <li>Promotion of innovative R&amp;D that contributes to resolving customers' or society's issues</li> </ul>  | <ul style="list-style-type: none"> <li>Actively promote information on research activities and achievements</li> <li>Achieve recognition for world-leading innovative research</li> </ul>  | <ul style="list-style-type: none"> <li>Issued 27 press releases (7 related to open innovation)</li> <li>Received 54 external recognitions, including the Medal with Yellow Ribbon and Contemporary Master Craftsman award</li> </ul>   | ★★★               | <ul style="list-style-type: none"> <li>Continue policy of disclosure and open innovation</li> <li>Continue to conduct world-leading innovative research that is recognized by peers and contributes to resolving challenges in society</li> </ul>     |
| <ul style="list-style-type: none"> <li>Global brand communication activities</li> <li>Implementation of "Global Brand Campaign" under a integrated communication strategy</li> </ul>                      | <ul style="list-style-type: none"> <li>Advertise in 20 countries, including Japan</li> </ul>   | <ul style="list-style-type: none"> <li>Ran three creative themes (two for TV commercials) in 20 countries, including Japan</li> <li>Awareness of advertisements reached its target level in 15 of the 18 countries surveyed</li> </ul>   | ★★★               | <ul style="list-style-type: none"> <li>Advertise in 19 countries, including Japan</li> </ul>  |
| <ul style="list-style-type: none"> <li>Proactive communication of operations</li> <li>Proactive participation in and contributions to social initiatives and policymaking</li> </ul>                      | <ul style="list-style-type: none"> <li>Revitalize proactive public relation activities</li> </ul>  | <ul style="list-style-type: none"> <li>Actively participated in committees of government institutions and economic organizations</li> </ul>  | ★★★               | <ul style="list-style-type: none"> <li>Continue revitalizing proactive public relation activities</li> </ul>  |

★★★: Achieved   ★★: Partially achieved   ★: Not achieved

## Review and Improvement of CSR Activities

| Policies   | FY 2015 goals/plans  | Results in FY 2015   | Achievement level | FY 2016 goals/plans  |
|--|--|--|-------------------|--|
| <ul style="list-style-type: none"> <li>Development of CSR network on Group-wide, global basis</li> </ul>         | <ul style="list-style-type: none"> <li>Hold global meeting of CSR promotion officers</li> </ul>  | <ul style="list-style-type: none"> <li>Held global meeting of CSR promotion officers</li> </ul>  | ★★★               | <ul style="list-style-type: none"> <li>Continue holding global meeting of CSR promotion officers</li> <li>Hold regional meetings of CSR promotion officers</li> </ul>  |
| <ul style="list-style-type: none"> <li>Communication with stakeholders through information disclosure</li> </ul> | <ul style="list-style-type: none"> <li>Publish <i>Hitachi Group Sustainability Report 2015 and Highlights</i> containing standard disclosures from the GRI Sustainability Reporting Guidelines and obtain independent assurance</li> </ul> | <ul style="list-style-type: none"> <li>Published <i>Hitachi Group Sustainability Report 2015 and Highlights</i> containing standard disclosures from the GRI Sustainability Reporting Guidelines and obtained independent assurance</li> <li>Identified issues in the <i>Hitachi Group Sustainability Report 2015</i> and selected reporting themes for <i>Hitachi Sustainability Report 2016</i> in keeping with stakeholder interests</li> </ul> | ★★★               | <ul style="list-style-type: none"> <li>Publish integrated report, sustainability report, and company outline and think about project team for next year's publications</li> <li>Obtain feedback from stakeholders</li> </ul> |

★★★: Achieved   ★★: Partially achieved   ★: Not achieved