

Social

Human Capital

Diversity, Equity and Inclusion

Human Rights

Responsible Procurement

▶ **Executive Summary**

Responsible Procurement

Quality and Customer Satisfaction

Social Contribution Activities

Social Data

Responsible Procurement

Basic Concept

We believe that placing sustainability at the core of our business throughout our value chain will lead to mutual prosperity for procurement partners and the Hitachi Group. To this end, we pursue sustainable procurement by identifying and mitigating procurement risks associated with the globalization of our business as far in advance as possible. These risks include human rights violations and greenhouse gas emissions by procurement partners in the supply chain.

Topic	Overview
 <p>Responsible Procurement</p>	<p>To ensure sustainable procurement, Hitachi engages in procurement activities in accordance with the Hitachi Group Global Procurement Code, which represents the highest level of business standards in our procurement activities and the Hitachi Group Sustainable Procurement Guideline, which is a code of conduct toward procurement partners. We pursue the adoption of Hitachi Group sustainable procurement policies among procurement partners by communicating the Sustainable Procurement Guideline and holding sustainability procurement seminars in each region, conveying our aim for mutual prosperity. Additionally, to strengthen risk management and engagement with procurement partners, the Hitachi Group evaluates and analyzes the state of sustainability initiatives by procurement partners, conducting audits as necessary. We also work with procurement partners to achieve carbon neutrality throughout the value chain.</p>

Note: Hitachi normally refers to suppliers (including vendors or providers) as *procurement partners* who build business together on an equal footing.

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Responsible Procurement

Basic Procurement Policy

Approach	Policy	GRI 2-6/2-23
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We believe that putting sustainability at the core of our business throughout our value chain will lead to mutual prosperity for procurement partners and the Hitachi Group. To achieve this goal, we pursue sustainable procurement, identifying and mitigating procurement risks associated with the globalization of business as far ahead as possible. These risks include human rights violations and greenhouse gas emissions in the supply chain.

We established the Hitachi Group Global Procurement Code to guide our procurement activities. These standards represent the highest level of business standards with which we comply. This code calls on the Hitachi Group and procurement partners to give due consideration to human rights, labor practices, safety, ethics, quality, and security in the supply chain.

We also established the Hitachi Group Sustainable Procurement Guidelines, which are a code of conduct for procurement partners.

The Hitachi Group Sustainable Procurement Guidelines, informs procurement partners of our requirements for compliance. Guideline content falls into seven major categories: labor, health and safety, environment, business ethics, management system, product quality and safety, and prevention of personal and confidential information leakage. We also use these guidelines as a communication tool to inform procurement partners about Hitachi Group initiatives and share our policies and initiatives related to sustainability. We aim to develop sustainable business and society together with procurement partners by promoting procurement activities that adhere to this code.

[Sustainable Procurement](https://www.hitachi.com/procurement/csr/index.html)
<https://www.hitachi.com/procurement/csr/index.html>

[Hitachi Group Sustainable Procurement Guidelines](https://www.hitachi.com/procurement/csr/EN_HG_SPG.pdf)
https://www.hitachi.com/procurement/csr/EN_HG_SPG.pdf

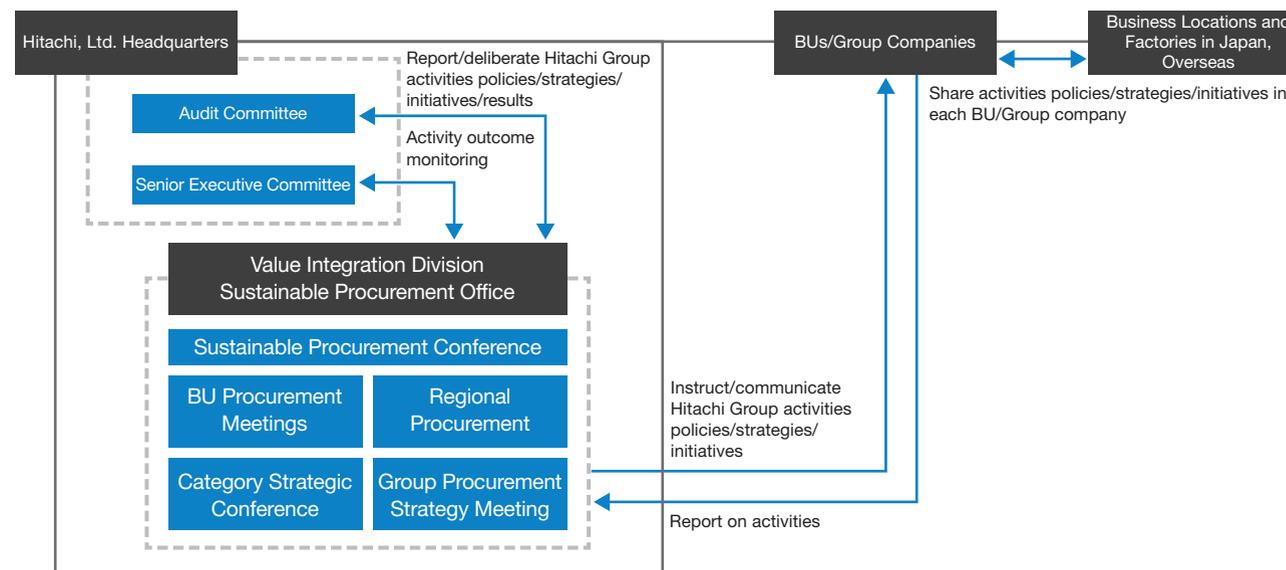
Sustainable Procurement Management Framework

Structure	GRI 2-13/2-24/3-3
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Hitachi established the Sustainable Procurement Office within the Value Integration Division (an organization reporting directly to the President & CEO). The Sustainable Procurement Office is responsible for procurement activities at our head office, and it plays a central role in deliberating and deciding various policies related to sustainable procurement.

Policies and initiatives adopted are communicated in detail throughout the Hitachi Group by means of meetings including

Procurement Management Organizational Structure



Sustainable Procurement Conference. This conference, attended by the heads of the procurement divisions at Business Units (BUs) and major Group companies addresses companywide procurement initiatives related to overall sustainability, including environment and human rights by developing strategies for sustainable procurement activities and by sharing best practices across our organization.

In addition, the Value Integration Division reports regularly to the Senior Executive Committee on key procurement strategies and on sustainable procurement activities. Each year, the division reports on priority procurement measures to the Audit Committee, which consists of members of the Board of Directors. These reports include matters identified and addressed in the previous year, and feedback from the Audit Committee is reflected in activities in the following year.

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Sustainable Procurement Conference

Since fiscal 2022, the Sustainable Procurement Conference is held to improve BU and Group companies' understanding of sustainable procurement, as well as to provide practical support. This conference is open to all procurement division members, including the heads of procurement divisions at all global locations. Approximately 500 people participated in fiscal 2022. The conference provides an opportunity to develop a human rights due diligence process, gain a better understanding of the status of Scope 1, 2, and upstream Scope 3 efforts toward carbon neutrality, and share the latest internal efforts toward carbon neutrality.

Sustainable Procurement

Activities

GRI 2-25/308-2/414-2

Working to Strengthen Engagement With Procurement Partners

• Raising Awareness of the Hitachi Group Sustainable Procurement Guidelines

Hitachi provides sustainable procurement guidelines in four languages (Japanese, English, Chinese, and Thai) and distributes these guidelines to approximately 30,000 procurement partners. We conduct sustainable procurement information sessions and other means to communicate matters with which we expect procurement partners to comply.

• Regional Sustainability Procurement Seminars

We invite our procurement partners in Southeast Asia, China, and India to the Regional Sustainability Procurement Seminar to address social issues proactively together with our procurement partners. Approximately 520 procurement partners participated in the fiscal 2022 seminar. We strive to communicate the Hitachi Group Sustainable Procurement Policy to each region.

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Region	Details
Southeast Asia	In Southeast Asia, we presented an overview of the Hitachi Group Sustainable Procurement Policy and strategy, our status regarding EcoVadis*1 adoption, sustainability audits and energy management to approximately 200 procurement partners.
China	In China, we discussed Hitachi Group Sustainable Procurement Policy and strategy, providing examples of sustainable activities to approximately 230 procurement partners.
India	We covered Hitachi Group Sustainable Procurement Policy and strategy, and results of sustainability audits in India to approximately 90 procurement partners.

• Procurement Website Content Expansion

Hitachi upgraded its procurement website for external use in fiscal 2022, adding more contents related to sustainable procurement. The website provides to external stakeholders including procurement partners, information on sustainable procurement in a detailed, systematic, and straight-forward manner.

*1 EcoVadis: A sustainability assessment service platform to evaluate companies comprehensively across four areas: environment, labor and human rights, ethics, and sustainable procurement



Procurement Website

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

Procurement Partner Sustainability Assessments

With the purpose of strengthening risk management and engagement with procurement partners, Hitachi evaluates and analyzes the state of sustainability initiatives among procurement partners through surveys.

Starting in fiscal 2022, we adopted the EcoVadis third-party evaluation platform for monitoring and evaluating the sustainability performance of our procurement partners. We perform assessments regarding procurement partners who represent a large portion of our procurement and who are important to our business strategy. We confirm sustainability

efforts based on a checklist covering four areas: environment, labor and human rights, ethics, and sustainable procurement. In fiscal 2022, we conducted sustainability assessments of 1,374 procurement partners (in 48 countries) across the Hitachi Group.

We use the information obtained from these evaluations to identify companies requiring corrective action, to discuss and monitor improvement methods, and to select and conduct sustainability audits.

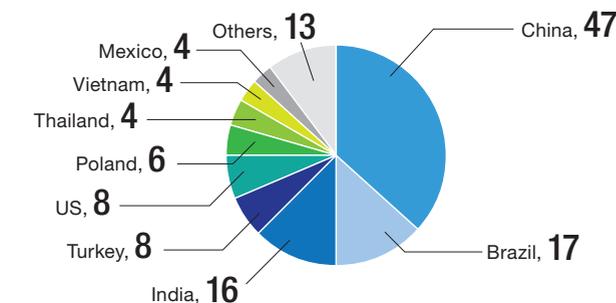
We will continue to work with more procurement partners and expand the number of our partners evaluated by EcoVadis assessment.

Sustainability Audits and Monitoring

Hitachi conducts sustainability audits of the manufacturing bases of our global procurement partners on a regular basis. We use external evaluation organizations to conduct the audits. Sustainability audits consist of document reviews, employee interviews, and facility inspections to monitor sustainability initiatives at procurement partners from the perspectives of labor and human rights, health and safety, the environment, and ethics.

In fiscal 2022, we conducted sustainability audits on 128*2 procurement partners, which we selected based on

Regional Distribution of Audits in FY2022
(15 countries, 128 companies in total)



Others: Egypt, Columbia, Saudi Arabia, Bulgaria, Indonesia, Korea

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procurement volume and responses to written surveys. For any matters identified during the audit, we explain the details to our procurement partners and request improvements.

*1 Internal auditors conduct audits at certain Group companies
 *2 Including the number of companies audited by Hitachi Energy beginning fiscal 2022

Examples of Matters Identified for Improvement

Category	Examples of Matters Identified
Labor and human rights	Employee overtime hours not properly managed
Occupational health and safety	Emergency exits and emergency lights are not adequately maintained
Environment	Environmental impact assessments not properly conducted.
Ethics	Employees not trained on fair trade

For procurement partners whose audit results indicate a high risk, we consider training to support improvement, online monitoring of improvements, and in-person follow-up audits.

Procurement Partner Hotline

In order to promote honest and fair dealings with procurement partners, Hitachi accepts consultations and reports from all stakeholders, including procurement partners, on all matters involving potential misconduct, such as violations of laws and regulations and the Hitachi Group Business Ethics and Codes of Conduct. We established the Hitachi Global Compliance Hotline as a help desk, and we publicize the help desk and procedures on our website. The hotline is accessible 24/7 online or via telephone.

Implementation Status of Sustainability Procurement Activities (FY2022)

unit: companies

Sustainability Procurement Seminars	Sustainability Assessments	Sustainability Audits
Approx. 520	1,374	128 ^{*1}

*1 Includes the number of companies audited by Hitachi Energy beginning FY2022

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Hitachi Global Compliance Hotline
<https://secure.ethicspoint.eu/domain/media/en/gui/109107/index.html>
 P.145 Hitachi Global Compliance Hotline

Internal Training

Training

Hitachi conducts a variety of training and education programs on sustainable procurement globally to further its internal understanding of sustainable procurement.

Internal Training through Conferences in FY2022

Region	Details
Global All Locations	Highlighted our efforts to establish a human rights due diligence process and to become carbon neutral. We also cover internal initiatives on advanced sustainable procurement.
Thailand	Communicated best practices on the Hitachi Group's long-term environmental goals, solutions for decarbonization, optimal energy procurement in Thailand, etc.
The United States	Explanation of the Hitachi Group Sustainable Procurement Policy; sharing and discussions of best practices among Hitachi Group companies.
Europe	Exchanged information on sustainable procurement policies and strategies, our efforts toward carbon neutrality, environmentally friendly raw materials, etc.

Internal Education and Training for Procurement Divisions

Hitachi provides training by position to procurement personnel in Japan and overseas, raising awareness across divisions responsible for sustainable procurement practices.

Specifically, we offer e-learning on sustainable procurement to encourage a complete understanding of various policies that include Sustainable Procurement Guidelines, Green Procurement Guidelines, and Responsible Mineral Procurement Policy. Content also covers important sustainability initiatives such as carbon neutrality and human rights due diligence.

We provide the same training on sustainable procurement to newly appointed managers. In fiscal 2022, approximately 2,800 employees completed this course.

Encouraging Procurement Partners to Reduce Their Environmental Footprint

Activities

GRI 308-2

To create sustainable societies, Hitachi pursues its own environmental initiatives under the long-term environmental target, Hitachi Environmental Innovation 2050. This target calls for the creation of decarbonized societies, resource-efficient societies, and societies harmonized with nature.

At the same time, Hitachi businesses cover a broad range of business domains. Our procurement is supported by many procurement partners from whom we source various products and parts. We maintain our initiatives to reduce environmental impact through consistent requests to comply with relevant guidelines.

In particular, we set a target to achieve carbon neutrality by fiscal 2050 through our value chain as we pursue our goal of creating decarbonized societies. To this end, we encourage collaboration and cooperation with procurement partners on initiatives upstream in the value chain.

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Efforts Toward Carbon Neutrality in the Value Chain Upstream

• CO₂ Emissions Measurement in the Value Chain Upstream

In order to calculate CO₂ emission of Scope 3 Category 1, Purchased Goods and Services, in the value chain upstream, we use the spend basis method to cover entire group procurement activities and also reflect the primary data obtained from procurement partners into the calculation in part. We ensure that the primary data collection from procurement partners are through our engagement and utilize a third-party sustainability evaluation platform, EcoVadis.

P.027 Environmental Vision

P.027 Hitachi Environmental Innovation 2050

• CO₂ Emissions Reduction Efforts Upstream in the Value Chain

In fiscal 2022, we selected 21 companies as *environmental advanced partners* in the context of Scope 3 Category 1, explained above, in order to promote the CO₂ reduction activities of our procurement partners. These 21 partners represent companies most proactive in addressing climate change and are also important to Hitachi's business activities. These companies represent a cross-section of sizes and are located in multiple countries and regions, covering a wide range of industries, including raw materials, components, and equipment. We held discussions with these environmental advanced partners regarding CO₂ emissions reductions over a period of several months to establish an understanding of CO₂ reduction measures and calculation methods. Information obtained through these dialogues will be analyzed and used for future CO₂ reduction activities.

In addition, all new aluminum ingots (AL≥99.7%, standard block) procured for domestic use beginning in fiscal 2023 will be, in principle, manufactured using hydroelectric power generation to contribute to reduced CO₂ emissions. In this way, we incorporate and give consideration to environmentally friendly procurement, including product materials that utilize renewable energy, new technologies, and recycled materials.

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Sharing Our Green Procurement Guidelines and Related Initiative

We distribute the Green Procurement Guidelines that define our basic position on procuring environmentally friendly parts and products as well as our requirements of procurement partners.

The guidelines set out requirements, such as establishing environmental management and recommend obtaining environmental certificates. They also address environmental conservation reducing the impact of products supplied to Hitachi, such as conserving resources and energy, recycling, managing chemical substances in products, and appropriate disclosures of related information.

To address the issue of chemical substances in products, we recommend using chemSHERPA*1 CI/AI, a standardized format for communicating information on chemical substances in products throughout the supply chain.

*1 chemSHERPA: Developed by the Japanese Ministry of Economy, Trade and Industry to facilitate the management of chemical substances in products by creating a standardized format throughout the supply chain. The chemSHERPA-CI standard is applicable to chemical substances contained in chemical products and chemSHERPA-AI to those contained in molded products.

Green Procurement Guidelines
https://www.hitachi.com/environment/library/pdf/green_en.pdf

Green Procurement Guidelines Annex
https://www.hitachi.com/environment/library/pdf/green_annex_en.pdf

Received the Highest Rating for CDP Supplier Engagement

Hitachi, Ltd. was recognized for its efforts to create net-zero societies, including the reduction of CO₂ emissions throughout its supply chain. In March 2023, the CDP, an international NGO working in the environmental sector, selected the company as a Supplier Engagement Leader, which is their highest rating for supplier engagement.

P.020 External Assessments Related to ESG



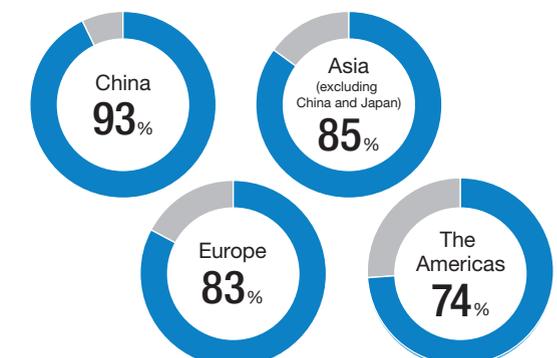
Strengthening Global Partnerships

Activities

With the worldwide expansion of Hitachi's business, our procurement partners have become increasingly globalized as well. We now deal with some 30,000 procurement partners in over 60 countries. Accordingly, we appoint procurement officers to oversee procurement activities locally in main regions (China, other Asian countries, Europe, and the Americas) in order to encourage procurement from locally based partners in line with the principle of promoting local production for local consumption. These officers carry out activities including sustainability monitoring, sustainability audits, and sustainable procurement seminars for procurement partners in their respective regions to strengthen sustainable procurement.

GRI 204-1

Ratio of Local Procurement of Materials for Main Regions (FY2022)



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Response to the Conflict Mineral Issue

- Policy
- Structure
- Activities

GRI 2-27

In fiscal 2013, Hitachi formulated a Conflict Minerals Procurement Policy, declaring our stance and commitments regarding conflict minerals. The policy was revised in fiscal 2016 to lay out explicit measures to be implemented to ensure responsible procurement. Expanding the scope of corporate responsibilities for the procurement of minerals is a global trend, Companies are increasingly expected to address broader overall risks to human rights beyond the risk of being complicit in conflicts, and recognize responsibilities that extend beyond the countries adjoining the Democratic Republic of the Congo to a wider area where the risks are high. In consideration of these developments, we revised this policy to formulate the Hitachi Group's policy for Responsible Supply Chain of Minerals in fiscal 2021.

[Hitachi Group's Policy for Responsible Supply Chain of Minerals](https://www.hitachi.com/procurement/csr/EN_HG_RSCM.pdf)
https://www.hitachi.com/procurement/csr/EN_HG_RSCM.pdf

System and Initiatives

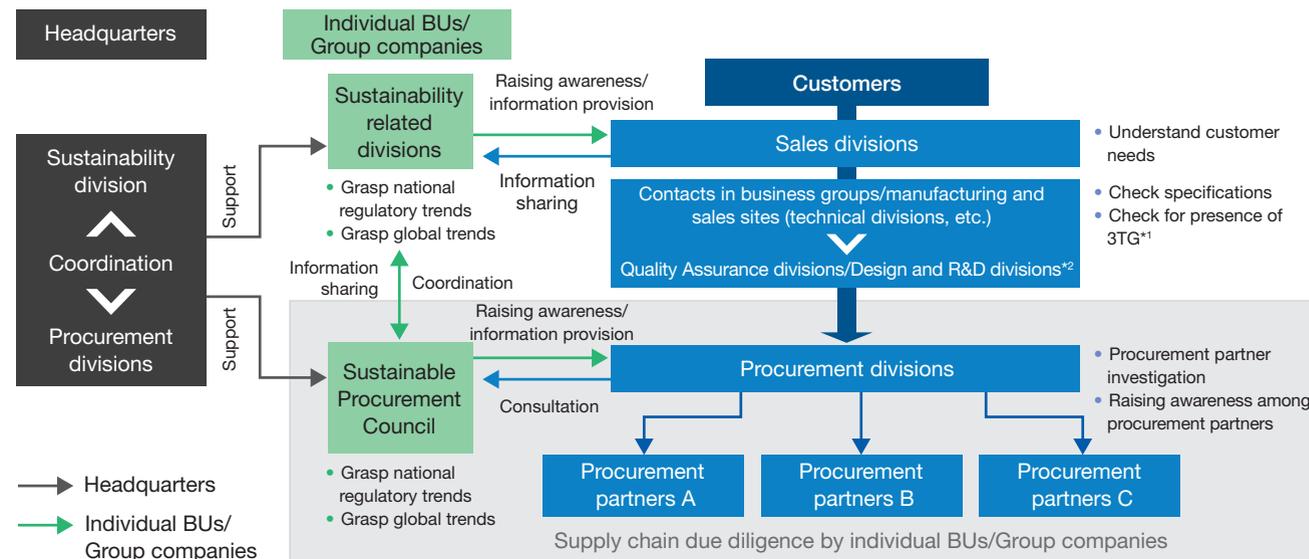
Sales divisions, business groups, manufacturing sites, procurement divisions, and other divisions within individual BUs and Group companies work together to respond to investigation requests and inquiries relating to conflict minerals. We also strive to grasp developments in conflict mineral-related laws and regulations in each country and region and what global society demands of enterprises, and work to share information within the Group.

Each BU and Group company investigates its use of conflict minerals and reports the results to customers when

requested. We carry out supply chain investigations with the cooperation of the relevant BUs' and Group companies' sales, procurement, and Sustainability divisions. In addition, Hitachi, Ltd. is a member of the Japan Electronics and Information Technology Industries Association (JEITA)'s Responsible Minerals Trade Working Group. This working group addresses the issues of conflict minerals with other members of the association. In June 2022, the working group held an online information session targeted at personnel in charge of investigating conflict minerals at companies and organizations that face common issues related to responsible minerals. The working group explained the background behind responsible minerals to 2,500 people from 1,500 companies.

[P.017 Industry Leadership and Policy Recommendations](#)

Hitachi's Conflict Minerals Response Framework



*1 3TG: Collective term for four commonly used conflict minerals: tin, tantalum, tungsten, and gold.

*2 May differ depending on BU or Group company

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Implementing Procurement BCP Initiatives

- Approach
- Activities

We work to enhance procurement-related business continuity plans (BCPs) across Group companies worldwide to ensure that significant incidents*1 do not disrupt our business or seriously impact the society.

*1 Events such as natural disasters (including major earthquakes) serious enough to disrupt business

[P.153 Procurement BCPs Initiatives](#)