

Hitachi's Sustainability Strategy Contributing to the Achievement of the SDGs

Global Trends in Sustainability

The world faces a variety of societal and environmental challenges, including a rising incidence of natural disasters due to climate change, an increasing population, greater disparities in wealth, and resource depletion. To address these, the United Nations formulated a set of Sustainable Development Goals (SDGs) in its 2030 Agenda for Sustainable Development published in 2015. These consist of 17 goals and 169 targets to be achieved by 2030 in order to bring about global sustainability. The Paris Agreement on climate change was also adopted in the same year as the SDGs and was ratified the year after. In both cases, companies are expected to assist with achieving the goals because of the opportunities and risks they present.

These developments have also led to growing activity in the field of "environment, society, and governance" (ESG) investment. ESG investment grew by 25.2% between 2014 and 2016, with a total global value of about 2,500 trillion yen, and now accounts for more than half of all investment in Europe. Although it only accounts for a few percent of total investment in Japan, the growth rate between 2014 and 2016

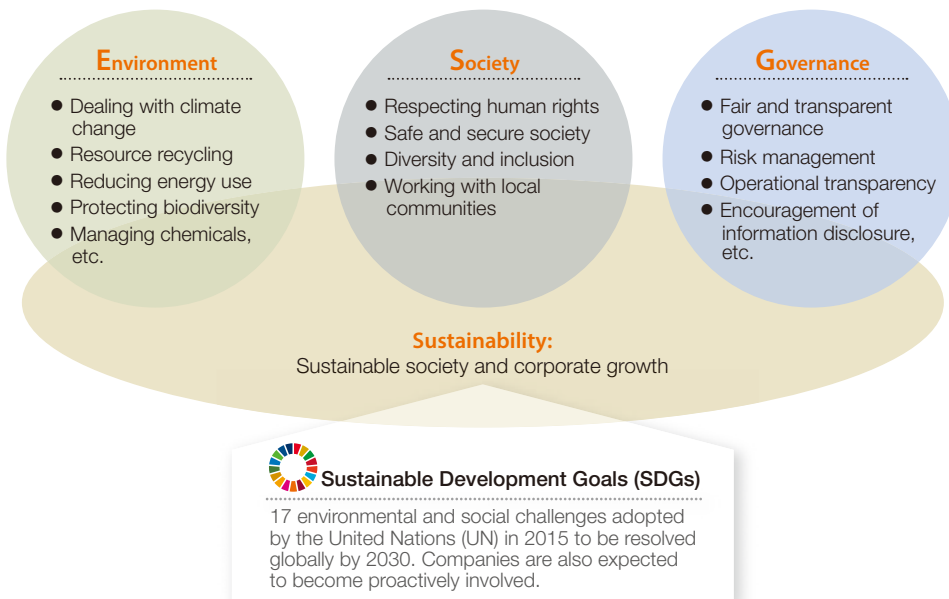
of approximately 6,700% was near the top in global terms¹. It is anticipated that corporate investment will place progressively more weight on the non-financial aspects of company valuation in the future (see [Figure 1](#)).

The European Commission is also picking up the pace of initiatives directed at sustainability. Amid a trend toward encouraging the disclosure of non-financial information, companies are defining what "sustainable" means in the context of their operations and products, including setting explicit standards and considering their use in the future as a basis for investment and lending decisions. For corporate business activity to generate meaningful social and environmental value and to reduce negative impacts is not only taken as a manifestation of being public-spirited, it is also becoming a question that bears directly on financial strategy in terms of whether it can attract investment.

Hitachi and Sustainability

The history of Hitachi, going back more than 100 years to the company's founding, has been built on the Corporate Credo of its company founder, Namihei Odaira: "contribute to society

Figure 1 | Corporate Trends in Sustainability



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through the development of superior, original technology and products." The company has fulfilled the mission expressed in its Corporate Credo through the supply of products and services that address the challenges faced by society. Hitachi's Corporate Credo and the Hitachi Founding Spirit have been handed down with great care over more than 100 years to the present day. Based on this philosophy, Hitachi has forthrightly engaged in its Social Innovation Business, which combines the company's three strengths in operational technology (OT), IT, and products and systems, and today responds to the challenges faced by society to contribute to improving people's quality of life and to creating a sustainable society.

Hitachi and the SDGs

The diversity of its businesses means that Hitachi is able to contribute to achieving the SDGs across a wide range of areas. In FY2017, Hitachi launched its Executive Sustainability Committee chaired by the President and CEO to look at the relationships between the 17 SDGs and the management and operations of Hitachi. The committee identified six of the 17 SDGs as targets to which Hitachi could contribute through

company-wide business activity (see [Figure 2](#)). It also identified a further five SDGs that Hitachi could make a major contribution to achieving through its business strategy. Given that the individual SDGs are interrelated and that the Hitachi value chain is diverse and covers a wide range of areas, it is believed that Hitachi can contribute indirectly as well as directly to all 17 of the SDGs, including those not included in the 11 SDGs identified by the committee.

Corporate Commitment

The SDGs to which Hitachi contributes across all of its corporate activities were identified mainly through discussions with those departments that deal with corporate functions such as human resources, procurement, quality assurance, compliance, and the environmental department. In the case of Quality Education (Goal 4), for example, Hitachi runs the Hitachi Young Leaders Initiative (HYLI) as an education program for training the next generation of leaders that provides a venue for students chosen from eight Asian nations, comprising Japan and seven Association of Southeast Asian Nations (ASEAN) members to debate the challenges facing regional

Figure 2 | Relationship between SDGs and the Management and Operations of Hitachi



and international society with people from many different walks of life, including business leaders, academic researchers, and representatives of national governments and non-governmental organizations (NGOs). More than 300 young people have participated in HYL since it was launched in 1996 and Hitachi is using this initiative to contribute to fostering Asia's next generation.

For Gender Equality (Goal 5), Hitachi as part of its efforts to encourage diversity has been holding an annual Global Women's Summit for its female staff since 2016. The FY2018 summit was held in Singapore and attended by approximately 160 female staff from 17 different countries or regions (see **Figure 3**). The program enabled participants to gain new insights and learn new things, including panel discussions involving female leaders from Hitachi Group representing their respective regions, and workshops in which participants held discussions with outside experts. The summit was also attended by the President and CEO and female Outside Directors with whom participants engaged in a lively exchange of views.

Hitachi's contribution to Responsible Consumption and Production (Goal 12) involves engaging in corporate social responsibility (CSR) monitoring (self-inspection) and conducting regular CSR audits, evaluating the associated risks and challenges, and confirming that suppliers are complying with guidelines so as to make ongoing improvements to its supply chain in conjunction with suppliers. Hitachi also carries out appropriate management by routinely acquiring, via systems, information from suppliers about the chemicals contained in products.

With regard to Climate Action (Goal 13), Hitachi formulated its Hitachi Environmental Innovation 2050 long-term

environmental targets in 2016. The specific targets are for reducing carbon dioxide (CO₂) emissions by 50% in FY2030 relative to FY2010 through its value chain, and by 80% in FY2050 in order to achieve a low-carbon society. Hitachi has also set a target for FY2050 of improving the efficiency of water and other resource use by 50% relative to FY2010 to help achieve high levels of recycling in society, and is seeking to minimize the impact on natural capital so that society can coexist with nature.

Business Strategy

With regard to the relationships between business and the SDGs, Hitachi established a Sustainability Promotion Meetings that deliberated during FY2017 and FY2018 and that included representatives from the business planning departments at each of the business units and key group companies. Specifically, the committee determined how Hitachi's main businesses could contribute to SDGs 3, 6, 7, 9, and 11 in particular, these having been identified as Hitachi's Business Strategy. The committee also highlighted the potential negative impacts of business on society and the environment and what can be done about them. The following sections describe some of the ways of contributing to achieving these goals through business.

Contribution to Good Health and Well-being (Goal 3)

Healthcare is an essential part of the infrastructure that underpins society, and Hitachi recognizes a need for the development of next-generation systems that provide people everywhere with access to smart universal healthcare. Social innovation and digitalization in healthcare will play a key role in achieving this. The sophisticated analytical techniques that have linked together the Internet of Things (IoT) can deliver medical innovations to support next-generation healthcare with excellent cost-benefit performance. Hitachi is contributing to improving the benefits of medical care through its involvement in these areas, supplying products that make consultations and treatment more effective, including electronic medical records and other operational systems for medical facilities, and also medical equipment such as diagnostic imaging and particle beam therapy systems.

Figure 3 | Attendees at the Global Women's Summit



Contribution to Clean Water and Sanitation (Goal 6)

Water is essential to people's life in society, with activities such as water distribution, treatment, and management playing important roles. Hitachi has been involved in the water infrastructure business for many years, developing sustainable water infrastructure in collaboration with the public and private sectors, including water and sewage system operators, so that water infrastructure operates efficiently and appropriate use is made of water resources, providing everyone with access to water that is safe and trusted. Combining both OT systems for monitoring and controlling water treatment facilities and managing their operation, and IT systems for operating regional water services using analytical techniques, Hitachi supplies total solutions for water and the environment, including such critical infrastructure as water and sewage treatment plants and equipment for water recycling.

Contribution to Industry, Innovation and Infrastructure (Goal 9)

Evidence of digitalization advancing with unprecedented speed is visible in many different industrial sectors. Industry is utilizing the IoT, big data, and artificial intelligence (AI) to transform itself into a more efficient and sustainable form. Hitachi is one of only a small number of global companies that combines OT and IT. Hitachi is helping to resolve the challenges faced by customers by pursuing things like smart manufacturing, which includes taking on mass customization, drawing on its strengths in the OT used in the workplace that has been honed by Hitachi as a manufacturer in its own right as well as to meet customer needs, the IT that analyzes and utilizes data to support business management, and the products that support these activities.

Contribution to Sustainable Cities and Communities (Goal 11)

Hitachi believes that transportations systems play an extremely important role in the development of all cities. Recognizing that people's way of life can be enriched by enhancing transportation systems and improving connectivity, the company engages in collaborative creation with customers and other partners to bring this about. As a systems integrator serving all aspects of railways, Hitachi helps people connect with one another and contributes to the revitalization of communities and the development of cities by supplying innovative railway

solutions that are safe and highly reliable, utilizing advanced information and control technologies. These include high-speed rolling stock, technology for driverless operation, and preventive maintenance. In the case of road transportation, Hitachi has prioritized accident prevention and the electrification of automobiles, and seeks to deliver safety improvements and ride comfort, alleviate congestion, and reduce the load on the environment.

To hear the views of external experts on the thinking behind these contributions that Hitachi is making to the SDGs through its business activities and the SDGs referred to above to which Hitachi contributes across all its corporate activities, Hitachi held a Stakeholder Dialogue in Brussels, Belgium in March 2018 in which the European Commission, businesses, and other organizations participated. The Hitachi SDGs Report, which reflects the views from this dialogue, was collated and published in both English and Japanese in April 2018. The company also publishes information about its involvement in all aspects of sustainability in the Hitachi Integrated Report 2018 and the Hitachi Sustainability Report 2018².

Future Plans

From 2017 to 2018, Hitachi clarified the relationships associated with its existing businesses and the SDGs, beginning by developing an understanding of the SDGs. The intention is to integrate these sustainability considerations (SDGs and ESG) through operations and management in the next Mid-term Management Plan, which commences in 2019.

*1 From the Global Sustainable Investment Alliance (GSIA), "the Global Sustainable Investment Review 2016."

*2 <https://www.hitachi.com/sustainability/index.html>