

Sharing the Hitachi Group Identity

Hitachi's Approach

We carry out our business not only in full compliance with legal requirements but also in ways that ensure socially responsible conduct. Spreading understanding of this among all Hitachi employees is a fundamental management issue. As economic activity becomes increasingly borderless, there is a growing need for steps to eradicate bribery, corruption, and other illegal behavior in accordance with conditions in the countries and regions where we have operations. As a global company, we are implementing a consistent compliance structure across the entire Hitachi Group.

In pursuing sustainable management, we give equal importance to value creation that contributes to the resolution of social issues. This is being advanced through the dissemination and sharing among all employees of the Hitachi Group Identity—an integrated set of principles including our management vision and values—and the Hitachi Codes of Conduct, which spell out decision-making procedures and actions for all Hitachi Group executives and employees.

As our operations expand across the globe, our supply chain, too, is globalizing at an accelerating pace. This demands that we fulfill our social responsibilities not only as a Group but also in working with business partners. We thus conduct compliance risk

surveys in every region, in addition to implementing export-import controls and inspecting the content of transactions so as to ensure normative conduct—free of complicity in any illegal behavior—throughout the supply chain.

Sharing Codes of Conduct and Compliance Approaches Throughout the Group

Ensuring Awareness of the Hitachi Group Codes of Conduct

Hitachi, Ltd. is a pioneer in developing business ethics. The company formulated the Hitachi, Ltd. Standards of Corporate Conduct in 1983, followed by the Hitachi Group Codes of Conduct in 2010 that the entire Group pledges to uphold. The Hitachi Group Codes of Conduct are available in 21 languages and shared among Hitachi Group employees in the world. We also issued the *Hitachi Group Codes of Conduct Handbook* as a guidebook for all our employees to fully understand the Hitachi Group Codes of Conduct. In Japan alone, more than 260,000 copies were distributed. In addition, an e-learning tool has been made available in Japanese and nine other languages, such as English and Chinese, showing appropriate behavior and presenting specific examples for use.

In April 2018, we revised the Hitachi Group Codes of Conduct based on our philosophy that corporate activities should meet the needs of the times, such as the SDGs,

toward a sustainable society, human rights and building a work environment, and various types of crisis management.



Hitachi Group Codes of Conduct

Enhancing Our Compliance Framework

In 2016, Hitachi reviewed and reorganized the regulations and guidelines including on compliance with competition laws, prevention of antisocial transactions, and prevention of bribery and corruption that had been set independently, and established the Hitachi Global Compliance Program, a new integrated system of rules headed by the Hitachi Group Codes of Conduct. This program is being implemented seamlessly across the global organization.

To implement this program, we have appointed a senior executive as the head of risk management for the entire Hitachi Group, to supervise risk management executives from business units and key Group companies. Under this system, policies and measures are shared through the Compliance Management Conference, composed of these risk management executives. Each executive is assisted by a compliance manager who implements practical support measures. We also support Group companies outside Japan and have appointed compliance heads in 11 regions, responsible for implementing education and sharing information as well as arranging consultation services with outside attorneys and other experts.

The internal audit section regularly conducts Group-wide reviews to verify that each area of compliance is being appropriately operated. In cases where the reviews identify

necessary improvements, corrective measures are swiftly implemented. We also convene the Advisory Committee, consisting of outside experts, to gain new insights into compliance and apply them proactively in our own efforts.

Compliance Reporting System

Hitachi has instituted a Group-wide whistleblowing system to prevent illegal and unethical behavior, to promptly address infractions, and to enhance our ability to self-regulate.

In this system, reports go directly to the Compliance Department at Hitachi or to an outside attorney. This system can be used not only by employees within the Hitachi Group but also by temporary staff and business partners, such as suppliers and distributors. Fiscal 2017 saw 360 reports throughout the Group, including some related to suspected violations of competition and anti-bribery laws.

The facts related to all reports are subject to thorough investigation and checking, and people who have identified themselves in the reports are informed of the investigation results. We make every effort to deal with situations as appropriate, including taking remedial action where necessary. We will continue to maintain and review the system, prioritizing the protection of whistleblowers.

In addition, we have implemented the Channel to the Board of Directors system to allow employees to directly report problems anonymously to Hitachi directors in cases where they see any illegality or extreme inappropriateness in business conduct by division heads, executive officers, or other management personnel.

Prevention of Antisocial Transactions

To cut off all relationships with organized crime groups and other antisocial forces, in the Hitachi Group Codes of Conduct we have laid out provisions stating that we will never engage in antisocial transactions under any circumstances in any part of the world, and will refuse any improper demands and unfair deals. To this end, we conduct eligibility checks on new as well as existing business partners and include antisocial force rejection clauses in contracts so that if it is determined that a business partner belongs to an antisocial force, we can promptly void the contract and end the relationship. The entire Hitachi Group acts decisively to eliminate approaches from antisocial forces in partnership with external specialist institutions (the National Center for the Elimination of Boryokudan and the police).

Thorough Export Controls

For basic export control policies, we have adopted the Hitachi Group Codes of Conduct, which state: "We will help maintain international peace and security through compliance with all applicable laws and regulations concerning import and export, and will operate appropriately according to our internal rules and policies." We established the Corporate Regulations concerning Security Export Control based on this policy to carry out strict export control practices in line with relevant laws and regulations, screening all goods and technologies intended for export against such factors as destination countries and regions as well as intended end use and end users. We provide guidance and educational support on the formulation of regulations as well as on the establishment of frameworks to Hitachi Group companies in Japan and around the world to ensure that all Group companies follow the same export control policies.

At present, as part of our educational program for all Group

companies within and outside Japan, we host training sessions and workshops on export control in addition to the annual implementation of an e-learning program in Japanese, English, and Chinese. Moving forward, we will continue to make an effort so that export control is thoroughly enforced throughout the Group.



Measures to Prevent Bribery and Corrupt Practices



Preventing Violations of Fair Competition Laws

Sharing Values Throughout the Group

Solidifying the Hitachi Group Identity

▶ Instilling the Group Identity in Employees

To help us solve social issues through understanding and embodiment of the Hitachi Group Identity, our brand management must engage everyone in the Group. We use channels, including our intranet, to ensure that Group employees are clearly aware of what needs to be done to express the Hitachi Group Identity. To promote understanding of and familiarity with the Hitachi Group Identity and the Hitachi brand, we launched the Inspiration of the Year Awards in fiscal 2003 to share activities within Hitachi that have demonstrated the Hitachi Group Identity and made an outstanding contribution to our brand value. In fiscal 2012, we began evaluating applications globally, renaming the program the Inspiration of the Year Global Awards. In fiscal 2017, the awards saw 232 applications from various regions, including China, Europe/Africa, India, North America, Southeast Asia, and Japan. Outstanding activities from each region were highlighted on the intranet, and the president presented the awards at a ceremony held at our Tokyo headquarters.

To further instill the Hitachi Group Identity and promote understanding of the Hitachi brand among our employees globally, we held brand-training sessions utilizing the Hitachi Brand Book, a straightforward explanation of the Hitachi Group Identity and Hitachi brand, and the Hitachi Vision Movie, a visual depiction of the Hitachi Group Vision. By raising employee awareness of the Hitachi Group Identity through these activities, we continue to strive to become a company that “delivers innovations that answer society’s challenges.”



Hitachi Group Identity