

Executive Officer’s Message: CSR and the Environment

Integrating Sustainability Initiatives into Our Management Strategy



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The risks we face from such factors as climate change and a global population explosion have grown to unprecedented levels in recent years and are threatening the sustainability of our way of life. Since the European Union announced an action plan in 2015 to accelerate its transition to a circular economy, in which growth is achieved through the effective use of resources, companies have increasingly been called to shift to sustainable business models. They are being asked to address social issues and help achieve the Sustainable Development Goals (SDGs) through their main business activities, while also integrating sustainability initiatives into their management and business strategies.

Since its founding, Hitachi has had a Corporate Credo of contributing to society through the development of superior, original technology and products, and this has remained at the heart of its operations. Sustainability has been a primary consideration in our management, as we have sought to contribute to a sustainable society through our Social Innovation Business. We will further pursue sustainability management going forward and strive to continually enhance our corporate value in response to global trends.

Our 2021 Mid-term Management Plan, announced in May 2019, outlines a goal of contributing to the realization of a sustainable world by simultaneously increasing social, environmental, and economic value. Toward this end, we must regard sustainability as a management issue and strengthen our governance. In 2017, we thus created the Executive Sustainability Committee chaired by the president and CEO of Hitachi, Ltd. and comprising other members of the Senior

Executive Committee, along with the CEOs of every business unit, to discuss and reach decisions on the Group's sustainability strategy as a key management and business issue. The topics discussed at the Executive Sustainability Committee meeting in June 2018 included integrating our sustainability strategy into the 2021 Mid-term Management Plan to respond to climate change and to help achieve the SDGs through our business activities. Deliberations at the December 2018 meeting focused on expanding our decarbonization business and introducing the Hitachi Internal Carbon Pricing (HICP) system as specific approaches to achieving our long-term environmental targets (for CO₂ reduction). Other issues discussed included corporate measures that are the foundations of management, such as human rights, CSR procurement, and the development of human capital; sustainability-related stakeholder engagement; and Hitachi's disclosure policy on ESG information.

Climate change is a priority management issue for us at Hitachi, and we are striving to reduce CO₂ emissions throughout our value chain. We announced our long-term environmental targets called Hitachi Environmental Innovation 2050 in fiscal 2016 that includes a CO₂ reduction target of 80% throughout the value chain by fiscal 2050 (compared to fiscal 2010). To achieve a resource efficient society, we are responding to the issue of water scarcity and promoting the efficient use of water and other resources. We are also promoting the effective use of plastic and other resources to minimize our impact on natural capital to achieve a harmonized society with nature.

In response to growing calls in recent years from investors and other stakeholders for climate-related disclosures, we are advancing our efforts in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In fiscal 2018, we participated in the Ministry of Economy, Trade, and Industry's TCFD Study Group on Implementing TCFD Recommendations for Mobilizing Green Finance Through Proactive Corporate Disclosures, which brought together private businesses and financial institutions for discussions on the development of guidelines on climate-related financial disclosures (TCFD Guidance) in promoting constructive dialogue between global corporations and investors.

This report outlines our strategies for climate-related risks and opportunities based on these TCFD discussions. It also contains detailed information on our ESG-related activities, which I hope will be pertinent to our readers.

We will continue to pursue sustained growth for both society and our company through dialogue with and proactive information disclosure to our stakeholders.