

# Compliance

## Hitachi's Approach

With the globalization of the economy, borderless corporative activities—spanning countries and regions with different governmental and economic frameworks, trade practices, and sets of values—are increasingly vital. Spreading understanding of and respect for norms among all Hitachi Group employees is a fundamental management issue as we seek to rigorously implement fair business practices and avoid risks around the globe. Hitachi has formulated in-house regulations in line with widely accepted international standards to govern important business practices such as bribery prevention and the ensuring of fair competition, and these regulations are conveyed and strictly enforced across the Hitachi Group.

Additionally, as we pursue sustainable management, in order to realize value creation that contributes to the resolution of social issues, we disseminate and share both the Hitachi Group Identity, an integrated set of principles including our management vision and values, and the Hitachi Group Codes of Conduct, which spell out decision-making procedures and actions for all Hitachi Group executives and employees.



### Our Impact on Society

No. of employees (consolidated)



### Our Performance

No. of participants of compliance e-learning for preventing bribery and corruption and violations of fair competition laws (8 languages)



# Sharing Our Codes of Conduct and Values Across the Group

## The Hitachi Group Codes of Conduct

Policy

Hitachi, Ltd. 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.

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

## Ensuring Awareness of the Hitachi Group Codes of Conduct

Objectives, Activities, and Achievements

The Hitachi Group Codes of Conduct are available in Japanese and 13 other languages—including English and Chinese—and shared with Hitachi Group employees around the world. The Codes of Conduct are based on global standards in a range of areas, including the SDGs, and an e-learning tool has been made available in Japanese and 13 other languages to encourage a deeper understanding of them.

Additionally, the Hitachi Group performs an annual employee survey on awareness of matters such as business ethics and compliance as part of its efforts to cultivate a healthy corporate culture.

## Compliance Framework

Frameworks and Systems

As an organization with global business activities, Hitachi is expected to have a compliance framework based not only on the laws and regulations in the regions and countries where we operate but on global standards. 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 management-level 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.

Issues in the promotion of compliance measures are clarified through individual dialogue with business units and key Group companies, while the internal audit section regularly conducts Group-wide reviews to verify that each area of compliance is being appropriately operated. In cases where these reviews identify necessary improvements, corrective measures are swiftly implemented. Hitachi, Ltd. also convenes an Advisory Committee of outside experts to gain new insights into compliance and apply them proactively in its own efforts.

## Compliance Reporting System

Frameworks and Systems

Hitachi has instituted a Compliance Reporting System allowing reports to be made to the compliance section or directly to external lawyers to prevent illegal and unethical behavior, to promptly address infractions, and to enhance its ability to self-regulate.

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. Reports can be made about matters that contravene social justice, such as improper treatment—including acts that are illegal or against regulations—and human rights issues. Suspected violations of competition and

anti-bribery laws can be reported anonymously.

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 fiscal 2018, in Japan, we applied for recognition under the Whistleblowing Compliance Management System (with self-declaration of conformity) implemented by the Consumer Affairs Agency, and our registration was accepted in July 2019.

In addition, we have implemented the Channel to the Board of Directors system to allow all Hitachi, Ltd. employees to directly report problems anonymously or under their real names 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.

## Compliance Reporting Achievements

Objectives, Activities, and Achievements

In fiscal 2018, we received 462 reports from all Group companies in Japan and around the world.

Additionally, the Hitachi Group performs an annual employee survey on awareness of matters such as business ethics and compliance as part of its efforts to improve the effectiveness of the Compliance Reporting System.

## Prevention of Antisocial Transactions

Policy Frameworks and Systems

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, in Japan, 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 or the police).

## Thorough Export Controls

Policy Frameworks and Systems

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." Hitachi, Ltd. has established 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 for the formulation of regulations and 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 in accordance with relevant laws and regulations.

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 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.

## Solidifying the Hitachi Group Identity

Objectives, Activities, and Achievements

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 Award 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 Award. In fiscal 2018, the award saw 198 applications from various regions, including the Americas, China, Europe/Middle East/Africa, India, Japan/South Korea/Oceania, and Southeast Asia. Outstanding activities from each region were highlighted on the intranet, and the president presented the award 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, which explains the Hitachi Group Identity and Hitachi Brand, and the “Hitachi Group Identity Movie—I am Hitachi,” a visual depiction of the ways in which Hitachi Group employees are working to address society’s challenges.



## Promoting Work Practices in Line with International Ethics Codes

### Framework for Promoting Compliance with International Ethics Codes

Frameworks and Systems

By periodically matching our list of existing Group-wide business partners against an external compliance database under the Hitachi Global Compliance Program (HGCP) and incorporating the results into the headquarters’ platform, we are promoting the standardization of due diligence levels across the Group. To reinforce education at business units and key Group companies, we also bring together program instructor candidates and provide them with instructor education.



## Policies for Preventing Bribery and Corrupt Practices

Policy

Preventing bribery and corrupt practices is a big challenge for a company today. In 2008 Hitachi established rules against bribery and corruption for the HGCP along with guidelines indicating specific spending thresholds for entertainment, gifts, and other arrangements provided to public officials. We have striven to ensure strict compliance with these rules. In 2016 we introduced a policy banning facilitation payments, which had not been explicitly regulated, along with revisions including clarification of due diligence procedures for business partners.

## Educational Activities for Preventing Bribery and Corrupt Practices

Objectives, Activities, and Achievements

To ensure awareness of the HGCP rules and policies concerning prevention of bribery and corruption and compliance with competition law, we developed a global e-learning program about them and made it available in 12 languages—including Japanese, English, and Chinese—for use by Group companies worldwide. In fiscal 2018, more than 150,000 employees across the Hitachi Group, including executives, completed the e-learning program.

## Competition Law Compliance Policy

Policy

Hitachi engages in business based on the principles of conformance with the law and business ethics and fair and open competition. In 2015, we included business standards and guidelines related to these principles in the HGCP, in addition to rules concerning competition law.

## Preventing Violations of Competition Law

### Objectives, Activities, and Achievements

As with our initiatives against bribery and corrupt practices, we are developing educational activities globally using e-learning material available in 12 languages—including Japanese, English, and Chinese—while at the same time ensuring that we comply with the HGCP’s rules concerning competition law and other related business standards and guidelines.

In 2017, to enhance awareness of ethical principles and practices globally, we created a global version of our standards regarding contact with competitors based on the standards originally prepared for use in Japan.

Eliminating violations of competition laws is among our top priorities for regaining trust, and so Hitachi will continue its efforts to prevent the recurrence of any such incident. We have been providing a collection of case studies for workplace discussion to Group companies since 2012, and in 2018 we added case studies about competition law in three languages, Japanese, English, and Chinese, to raise employee awareness.

## Hitachi’s Tax Compliance Approach

### Policy

The global expansion of Hitachi’s business activities has made it necessary for the Group as a whole to build a system of tax governance in order to comply with indications made by the tax authorities in each country and respond to risks concerning taxation, such as tax-related legal proceedings. In January 2016, we established a set of tax-related regulations with which the entire Group must comply, and in April 2017 we set rules for Group transfer pricing management. In connection with the globalization of our business, we are implementing risk management for taxation that focuses in particular on the points listed below:

(1) Group companies strictly comply with all relevant laws and implement tax management when pursuing their business activities, bearing in mind such international tax-compliance standards as the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations of the Organisation for Economic Co-operation and Development (OECD), as well as that body’s Action Plan on Base Erosion and Profit Shifting (BEPS).

- (2) Group companies effectively, continually, and proactively manage tax-related issues as socially responsible organizations, while maintaining Hitachi brand value and seeking to maximize shareholder value.
- (3) Group companies build sincere and positive relations of trust with the tax authorities in the regions where the companies do business, and strive to maintain and develop those relations.

## Tax Compliance Initiatives

### Objectives, Activities, and Achievements

To ensure risk management for taxation in response to globalization, Hitachi follows relevant tax-related regulations applicable to the Group as a whole as well as rules for transfer pricing management. We also manage transfer pricing in accordance with the OECD Transfer Pricing Guidelines and the laws and regulations on transfer pricing in each country or region where Group companies are located.

## Violations of Laws and Regulations

### Objectives, Activities, and Achievements

In fiscal 2018, there were no incidents in which Hitachi violated or was penalized under laws or regulations regarding bribery or corrupt practices and competition. Regarding tax compliance, Hitachi acts in accordance with all applicable laws and regulations and did not have any significant fines or nonmonetary sanctions for noncompliance with tax laws and regulations.