

Compliance



Why it matters

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 addresses this partly through the Hitachi Group Codes of Conduct and the Hitachi Group Code of Ethics and Compliance, which spell out

decision-making procedures and actions for all Hitachi Group executive officers and employees.

Additionally, with stricter regulations in countries and regions around the world regarding important business practices such as bribery prevention and adherence to competition law, Hitachi has formulated in-house regulations in line with international standards, and is sharing these regulations and enforcing thorough compliance throughout the Group.

What we are doing

	Core initiatives	Goals and KPIs	Achievements in FY 2019
 <p>Promoting work practices in line with international ethics codes</p>	<ul style="list-style-type: none"> Comply with the Hitachi Group Codes of Conduct Implement the Hitachi Global Compliance Program (HGCP) Prevent antisocial transactions Prevent bribery and corrupt practices Comply with competition law Carry out strict export control Implement thorough tax compliance 	<ul style="list-style-type: none"> Compliance reporting achievements: 459 reports Thorough implementation of prevention of bribery and corrupt practices and compliance with competition law 	<ul style="list-style-type: none"> Formulated the Hitachi Group Code of Ethics and Compliance Conducted a compliance risk survey of 821 Group companies Launched a Group-wide internal reporting system called the Hitachi Global Compliance Hotline Had more than 170,000 employees, including executive officers, complete an e-learning program on prevention of bribery and corrupt practices and compliance with competition law Conducted training sessions to prevent violations of competition law for general managers from sales divisions more likely to be exposed to compliance risks

Promoting Work Practices in Line with International Codes of Ethics

Hitachi Group Codes of Conduct

Policy

Employee Engagement

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Hitachi, Ltd. has formulated the Hitachi Group Codes of Conduct, which all executives and employees across the entire Group pledge to uphold. The Codes of Conduct are translated into 13 languages and shared with Hitachi Group executive officers and employees around the world. An e-learning tool has also been made available in Japanese and 13 other languages to reinforce understanding of the Codes of Conduct. 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.

Achievements in FY 2019

In fiscal 2019, we explored ways to ensure a deeper understanding among all executive officers and employees of the Hitachi Group Codes of Conduct and clearly share the ideas on corporate ethics and compliance that must be shared across the entire Hitachi Group. The result of this process was the Hitachi Group Code of Ethics and Compliance, established in April 2020 to further emphasize to Hitachi executive officers and employees the importance of acting in accordance with corporate ethics and following compliance procedures. The code has been translated into 14 languages and shared with executive officers and employees around the world.

Compliance Framework

Structure

Based on the Hitachi Group Codes of Conduct and the Hitachi Group Code of Ethics and Compliance, Hitachi established the Hitachi Global Compliance Program (HGCP) to promote compliance.

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. Globally, we have also 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.

Since fiscal 2013, we have conducted surveys related to bribery risk every three years at Group companies in regions with high risks of bribery and corrupt practices. The surveys are based on potential bribery risk scenarios. We will continue to perform regular risk assessments like these and use the results to improve compliance activities in all Group companies.

Achievements in FY 2019

In fiscal 2019, we conducted a compliance risk survey of 821 Group companies worldwide with the aim of implementing the compliance program based on risk management classification applicable throughout the Hitachi Group. Based on the survey results, we will allocate resources to high-risk operations and regions, thereby securing the effectiveness of the program as we strive to take thoroughgoing measures according to risk levels.

Compliance Reporting System

System

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To prevent and promptly address illegal or inappropriate activity and enhance its ability to self-regulate, Hitachi has instituted an internal reporting system allowing direct reports to be made regarding actual or suspected compliance violations. 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. 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. In fiscal 2019, we received 459 reports from all Group companies worldwide.

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.



Hitachi Group Codes of Conduct/Hitachi Group Code of Ethics and Compliance ▶ <http://www.hitachi.com/corporate/about/conduct/index.html>



Establishing a Global Grievance Mechanism ▶

Achievements in FY 2019

In fiscal 2019, to further strengthen the Group's governance and compliance, we integrated internal reporting systems within the Group into a Group-wide system called the Hitachi Global Compliance Hotline. Launched in April 2020, the new system enhances our reporting system capacity by offering 24/7 service in multiple languages both online and via telephone.

Prevention of Antisocial Transactions

Policy Structure

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, and will refuse any improper demands and unfair deals. 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).

Policies for Preventing Bribery and Corrupt Practices

Policy

Preventing bribery and corrupt practices is a major challenge for any company today. 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 also have policies banning facilitation payments and requiring due diligence procedures for business partners. With anti-corruption regulations growing stricter in recent years around the globe, we also expend great effort ensuring that we are in strict compliance with the US Foreign Corrupt Practices Act (FCPA) and all other relevant laws and regulations in the countries and regions where we do business.

Educational Activities for Preventing Bribery and Corrupt Practices

Employee Engagement

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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 15 languages—including Japanese, English, and Chinese—for use by Group companies worldwide.

Achievements in FY 2019

In fiscal 2019, more than 170,000 employees across the Hitachi Group, including executives, completed the e-learning program. To raise awareness of compliance, we asked participants to pledge to adhere to compliance rules.

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. 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

Activities

As with our initiatives against bribery and corrupt practices, we are developing educational activities globally using e-learning material available in 15 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. To enhance awareness of ethical principles and practices globally, we created a global version of our standards regarding contact with competitors. We also provide a collection of case studies on competition law and other topics for workplace discussion to Group companies in three languages—Japanese, English, and Chinese—to raise employee awareness.

Achievements in FY 2019

In fiscal 2019, Hitachi, Ltd. held its special biennial training sessions for managers. The sessions were attended by about 1,100 general managers and equivalents from sales divisions who are more likely to be exposed to compliance risks in business operations as they meet with competitors and participate in public tenders.

Export Controls

Policy | Structure

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 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, we host training sessions and workshops on export control. Additionally, we operate a basic e-learning program in 14 languages and a program for working-level employees in Japanese, English, and Chinese. These ongoing efforts help ensure that export control is thoroughly enforced throughout the Group.

Hitachi's Tax Compliance Approach

Approach

Hitachi has built 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. Specifically, we established a set of tax-related regulations and set rules for Group transfer pricing management. We are striving to enhance awareness of the rules and regulations throughout the Group. 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

Activities

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 Regulation

Activities

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In fiscal 2019, there were no incidents in which Hitachi violated or was penalized under laws or regulations regarding bribery or corrupt practices. One of our Group companies, however, was found to have violated a competition law in an international deal involving automobile parts. We take this incident seriously and are striving to prevent recurrence of such violations by revising our organization and policies and enhancing education and audits. 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.