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Hitachi Sustainability Report 2021

Sustainability Strategy Promotion Structure

Structure

GRI 102-18/102-19/102-20/102-21/102-26/102-27/102-30/102-31/102-32/102-33/102-34/103-3

Hitachi, Ltd.'s Executive Sustainability Committee, which is held twice a year, comprises Executive Chairman & CEO Toshiaki Higashihara, and other members of the Senior Executive Committee, along with the CEOs of every business unit. The committee discusses and reaches decisions on important policies and measures related to sustainability, shares progress and results, and finds ways to connect these to further improvements and new initiatives.

Sustainability Promotion Meetings holds twice a year that attended by sustainability strategy promotion officers from business units (business promotion division head-class), also established under the committee, formulate long-term corporate strategies focusing on ESG (environmental, social, and governance) to promote specific measures for advancing sustainability, including contribution to achieving the SDGs.

To review and discuss CSR initiatives, CSR Manager Meetings are regularly held by CSR and social contribution officers from business units and Group companies. Additionally, CSR officers at regional headquarters in the United States, Europe, China, Southeast Asia, India, and Australia, as well as environmental officers in the United States, Europe, and China work daily to cultivate mutual understanding and provide opportunities for general meetings in order to achieve cross-regional information sharing and cooperation.

To discuss and implement specific measures to achieve long-term environmental targets, the Eco-Management Meetings, whose members are environmental promotion officers from business units and Group companies, work

together with Sustainability Promotion Meetings. Global and Regional Environmental Meetings are also held regularly, allowing environmental initiative officers from regional headquarters outside Japan to share common practices and promote environmental initiatives.

Additionally, starting in fiscal 2021, in order to further accelerate human rights and diversity initiatives, newly established Human Rights Due Diligence (HRDD) Manager Meetings are held twice yearly to promote human rights due diligence. Also, the Diversity Development Council meets once or twice a year, along with periodic reporting and deliberations by the Executive Sustainability Committee on progress being made toward these efforts. We have worked with business units and key Group companies to strengthen our structure to promote human rights and diversity initiatives.

The Sustainability Promotion Division holds regular dialogue with stakeholders in each region in cooperation with regional headquarters. Through such dialogues,

we endeavor to grasp global social issues promptly, extensively, and deeply, incorporating them into the issues our management deals with. At the same time, this dialogue lets us safeguard our corporate responsibility in a global society and make continued efforts to improve as we strive to achieve sustainable management and a sustainable society.

As a company that maintains committees, including a Nominating Committee, Hitachi has an Audit Committee that conducts business auditing. The committee is made up of directors selected as Audit Committee members. Yearly reports concerning important matters related to sustainability are made by executive officers in charge, and feedback from the Audit Committee is put to advantageous use in the work of promoting sustainability.

▶ Fiscal 2020 Executive Sustainability Committee Agenda Items

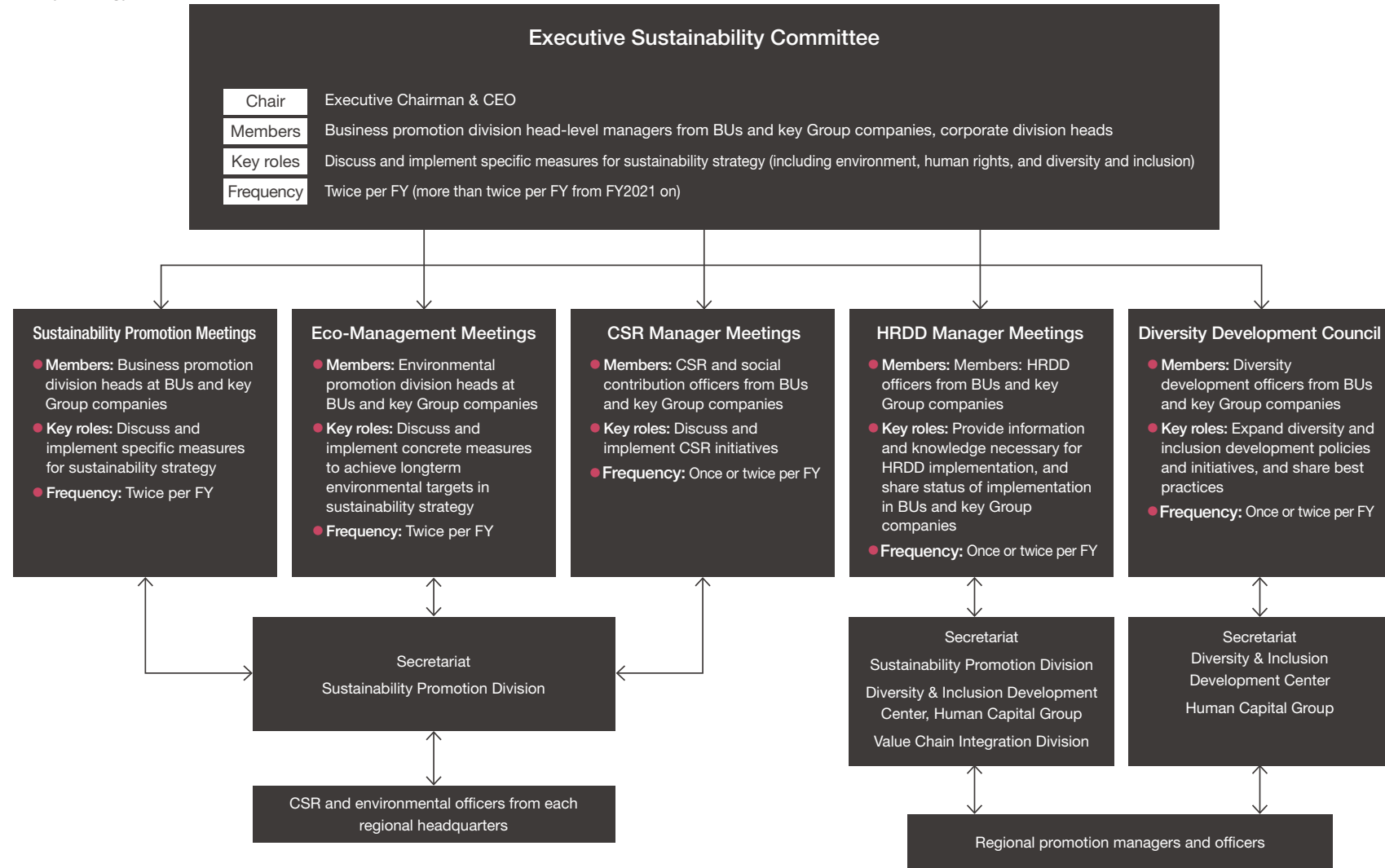
Term	Agenda Items
April 2020	<ul style="list-style-type: none"> ● Hitachi Environmental Innovation 2050 <ul style="list-style-type: none"> - Achieve Carbon Neutrality by 2030 at business sites (factories and offices) [below, Hitachi Carbon Neutrality 2030] - Cooperation with suppliers to promote CO₂ reduction in the upstream value chain
November 2020	<ul style="list-style-type: none"> ● Reporting and structural enhancements related to the status of plans for achieving Hitachi Carbon Neutrality 2030 ● Approaches regarding goals for 2030 at the stage of product and service utilization

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▶ The Sustainability Strategy Promotion Structure



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Bolstering the Environmental Business Promotion Structure

Structure

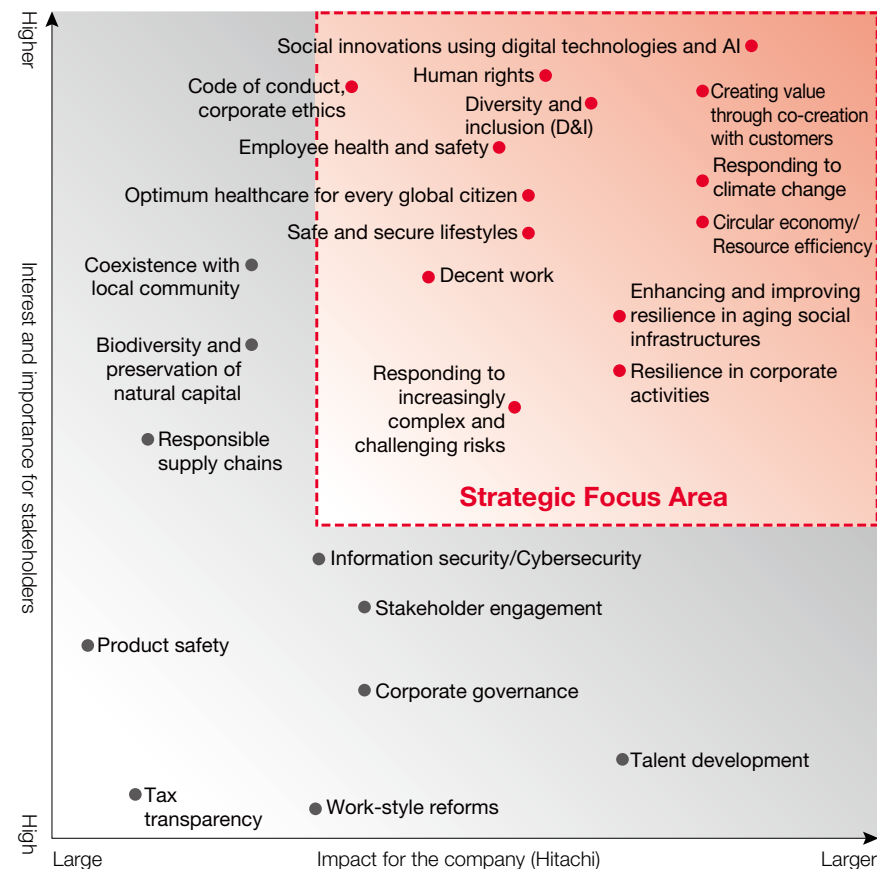
In April 2021, Hitachi appointed Executive Vice President Alistair Dormer to Chief Environmental Officer, and established the Environment Business Growth Strategy Division. These steps will enable us to accelerate the pace of environmental value creation achieved through business.

Identifying Priority Initiatives as Strategic Focus Areas

Activities

GRI102-47

Looking forward to 2030 and what we aim for society and our company to become by then, Hitachi is focusing efforts on value creation in areas we consider to be of key importance. In working to realize Hitachi's goals of improving people's QoL and increasing our customers' corporate value, we have mapped out focus initiatives taking into account the degree of impact for Hitachi and the degree of interest and importance for all our stakeholders in order to make society and Hitachi's management sustainable. We have identified particularly high-priority initiatives among these as Strategic Focus Areas.






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Strategic Focus Area	Recognition of Issues and Strategies	Initiatives/KPIs	Relevant SDGs
<p>Social innovations using digital technologies and AI</p> <hr/> <p>Creating value through co-creation with customers</p>	<p>The world is undergoing a variety of changes, such as climate change and resource shortages, aging populations and urbanization. Furthermore, society and the economy have changed dramatically amid the global COVID-19 pandemic.</p> <p>Hitachi creates new value for society by providing solutions that respond to a variety of challenges faced by society and the customers who are being confronted by these changes. This is the essence of Hitachi's Social Innovation Business.</p> <p>Co-creation with customers and partners is essential in responding to these changes quickly and efficiently. Through collaboration, we will expand social innovations that leverage Lumada. As a result, Hitachi will help realize a sustainable society.</p>	<ul style="list-style-type: none"> ● Expansion of the Lumada business ● Increase Lumada revenues and adjusted operating income ● Utilize the Lumada Solution Hub <hr/> <ul style="list-style-type: none"> ● Enhance human resources and technologies that support the growth of Lumada ● Develop digital talent, and encourage participation of diverse human resource (D&I) ● Create learning opportunities ● Strengthen R&D <hr/> <ul style="list-style-type: none"> ● Expand value and innovation from co-creation, and entrench this approach inside and outside of the Company ● Expand co-creation centers ● Expand partners in the Lumada Alliance Program ● Increase awareness and understanding of the Hitachi Group identity 	
<p>Responding to climate change</p> <hr/> <p>Circular economy/Resource efficiency</p>	<p>Hitachi's mission in the Social Innovation Business is to achieve a sustainable society by taking on the challenges of climate change, a circular economy and the efficient use of resources. In response to climate change, which is a particularly urgent issue, we will expand solutions for targeting decarbonization.</p> <p>We have set the targets of achieving carbon neutrality within Hitachi by fiscal 2030 and achieving carbon neutrality through the value chain by fiscal 2050. As a leading company in the creation of environmental value, we will further accelerate our initiatives aimed at realizing these goals.</p>	<ul style="list-style-type: none"> ● Promote "Hitachi Environmental Innovation 2050" ● Reduction in CO₂ emissions at workplaces ● Reduction in CO₂ emissions from products and services ● Reduction rate in water use per unit ● Expansion of the environmental contribution business ● Reduction rate in waste and valuables generation per unit ● Value creation story in five sectors and the Automotive Systems business <p>Hitachi Integrated Report 2021(P52-69)</p>	
<p>Optimum healthcare for every global citizen</p>	<p>In a society characterized by rapid digitalization, urbanization and a growing senior population, it is important that we enable people to enjoy comfortable, energetic lifestyles, within a safe and secure living environment. To do this, Hitachi provides city building solutions that support safe and secure living for people everywhere, as well as optimum healthcare for individuals.</p> <p>In the healthcare field, we support a society in which more and more people are living past the age of 100 through the development and provision of solutions that extend from prevention of illnesses in the pre-symptomatic phase to testing, diagnostics, treatment and support for long-term care.</p>	<ul style="list-style-type: none"> ● Expand the Healthcare business ● Value creation story in the Mobility and Smart Life sectors <p>Hitachi Integrated Report 2021(P61, 64)</p>	
<p>Safe and secure lifestyles</p>		<ul style="list-style-type: none"> ● Expand businesses that support safe and secure transportation and lifestyles 	

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Enhancing and improving resilience in aging social infrastructures	Society and the economy are always potentially susceptible to highly unpredictable risks such as natural disasters, pandemics and cyberattacks. Public services and corporate activities must be able to recover quickly even in times of disaster. We face also the urgent need to create a society in which everyone can benefit equally from the public services delivered by rapid digitalization. Hitachi provides systems and solutions to that make society and corporate activities more robust, thereby contributing to a more resilient society.	<ul style="list-style-type: none"> Expand businesses that support public infrastructure and services Expand businesses that support business operations such as finances, industry, logistics, and cybersecurity 	<ul style="list-style-type: none"> Value creation story in five sectors and the Automotive Systems business Hitachi Integrated Report 2021(P52-69) 	  
Resilience in corporate activities				
Human Rights	Hitachi's Social Innovation Business adds to the vitality of society and people's lives. Hitachi is managing its workplaces and maximizing the potential of its diverse talent pool in line with our basic philosophy that "Health and Safety Always Come First." We respect all people, including co-creation partners and those who support the value chain, contributing to a society in which everyone can work safely and with peace of mind.	<ul style="list-style-type: none"> Respect human rights 	<ul style="list-style-type: none"> Training completion ratio Auditing of supply chains 	
Employee health and safety		<ul style="list-style-type: none"> Thorough work safety and hygiene 	<ul style="list-style-type: none"> Reduce work-related accidents Promote health 	  
Diversity and inclusion (D&I)	By encouraging the participation of diverse talent, we will promote active co-creation between Hitachi and its partners and accelerate the creation of new value through the Social Innovation Business.	<ul style="list-style-type: none"> Promote diversity and inclusion (D&I) 	<ul style="list-style-type: none"> Ratio of non-Japanese and female executives and corporate officers Number of non-Japanese and female employees Number of female managers Employment of people with disabilities 	
Decent work		<ul style="list-style-type: none"> Put in place and promote workplace environments that are comfortable and satisfying for employees 	<ul style="list-style-type: none"> Participation rate in Global employee survey/engagement index Create learning opportunities Autonomous career support through HR management initiatives Put in place a remote working environment Promote social contributions 	
Code of conduct, corporate ethics	Amid the rapid growth of Hitachi's businesses and partners on a global scale, the effective management of corporate compliance, geopolitical risks and business risks is essential to the continuation of highly reliable business activities.	<ul style="list-style-type: none"> Compliance 		   
Responding to increasingly complex and challenging risks	Hitachi recognizes that sharing codes of conduct, ensuring thorough compliance with laws and regulations and promoting risk management are particularly important to sustainable growth. We are also undertaking initiatives to augment our corporate governance function.	<ul style="list-style-type: none"> Build and operate risk management systems 	<ul style="list-style-type: none"> Respond to risks and opportunities 	      

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Establishment of Principal ESG-Related KPIs and Linking It with Executive Officers' Compensation

Goals Activities

As part of promoting sustainability, we have established KPIs for key ESG challenges, and promote activities to help achieve them. In addition, ESG-related KPIs corresponding to executive officers' scope of work are set as criteria for evaluation regarding appropriate compensation for their duties.

Achievements in and after Fiscal 2020

In May 2020, we declared a target: to achieve carbon neutrality in our business sites (factories and offices) by fiscal 2030. Following this, we created a new target in September 2021: to achieve carbon neutrality through entire value chain by 2050.

Additionally, in order to accelerate environmental value creation, we have incorporated environmental value as part of the executive officer compensation system from April 2021. The targeted environmental value is determined through dialogues between the president and executive officers.

Key ESG-Related KPIs

✓ Achievement of goal, or progress being made toward achievement
 × Goal not achieved (for fiscal 2020 goals)
 [] Bracketed items in the Achievements column show initial fiscal 2020 targets

	KPI	Achievements in FY 2020	Progress made toward the goal and achievements in made	Target		Relevant Page
Environment	Business Sites (Factories and Offices) Reduction rate of CO ₂ emissions (base: FY 2010)	39%	✓	FY 2021	20% or higher	P031
				FY 2030	100% (carbon neutrality)	
				FY 2050	(Maintain 100%)	
Environment	Reduction rate in water use per unit (Hitachi Group) (base: FY 2010)	24%	✓	FY 2021	26% or higher	P057
				FY2050	50%	
Environment	Reduction rate in waste and valuables generation per unit (Hitachi Group) [Base: FY 2010]	14%	✓	FY 2021	12% or higher	P062
				FY 2050	50%	
Society	Digital talent (Hitachi Group)	Approx. 35,000 people	✓	FY 2021	37,000 people	P102
	Number of Data scientists (Hitachi Group)	Approx. 3,000 people (Achieved ahead of schedule)	✓	FY 2021	3,000 people	
	Number of Top-class AI talent (Hitachi Group)	356 people (Achieved ahead of schedule)	✓	FY 2021	350 people	P086
	Ratio of female executives and corporate officers (Hitachi, Ltd.)	10.1%*1 [10%]	✓	FY 2024	15%*1	P106
				FY 2030	30%*1	
	Ratio of non-Japanese executives and corporate officers (Hitachi, Ltd.)	11.6%*1 [10%]	✓	FY 2024	15%*1	P106
				FY 2030	30%*1	
	Number of female managers in Japan (Hitachi, Ltd.)	800 people*2 [800 people]	✓	—	—	
	Fatal accidents (Hitachi Group)	3 cases	—	2021	0	
	Fatal accidents (Hitachi, Ltd.)	0 cases	✓	2021	0	
Lost time accidents (Hitachi Group)	314 cases	—	2021	Halve the number compared to 2018 (253 cases)	P116	
Lost time accidents (Hitachi, Ltd.)	4cases	—	2021	Halve the number compared to 2018 (3 cases)		

*1 Personnel reassignments are included as of April 1, 2021, for FY 2020, April 1, 2025, for FY 2024, and April 1, 2031, for FY 2030

*2 The number of female managers in Japan is as of October 2020