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## // Environmental Governance

### Framework for Promoting Environmental Governance

Structure GRI 102-11/102-29/102-31

To achieve our Environmental Vision and reach our long-term environmental targets called Hitachi Environmental Innovation 2050, Hitachi, Ltd. has built a global structure to support environmental decision making and implementation at Hitachi, Ltd. and consolidated subsidiaries (a total of 854 companies as of March 31, 2022).

In fiscal 2022, we established a new Sustainability Promotion Meeting, with members that include the Chief Sustainability Officer, business promotion division heads at business units and key Group companies, and RHQ Sustainability Officers, to discuss important measures concerning sustainability, including the environment, conduct monitoring of progress in reaching targets, and more. Important matters related to the environment, including decarbonization and resource circulation, that are aimed at achieving the Mid-term Management Plan are also discussed or decided on by the Senior Executive Committee and presented to the Board of Directors. At the Board of Directors in fiscal 2021, a report on Hitachi's participation in COP26 and the revision of long-term environmental targets was provided, affirming Hitachi's efforts toward the environment including carbon neutrality.

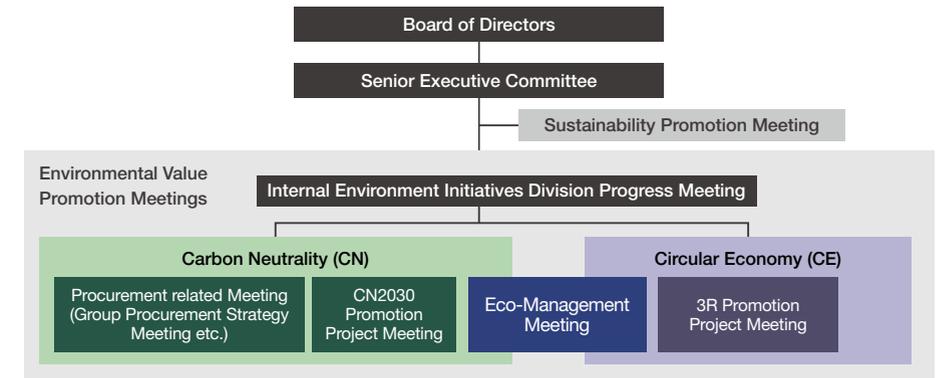
For important themes such as carbon neutrality and the circular economy, we are working to promote environmental activities throughout the Hitachi Group by setting up separate meetings composed of the heads of responsible personnels from individual BUs and major Group companies to consider Group-wide policies, share information, and so on.

With regard to the Hitachi GX Strategy, a set of comprehensive efforts aimed at realizing decarbonization and resource circulation within the Hitachi Group and in the value chain, we have newly constructed a framework for its implementation and are working to effectively promote it under the guidance of the Global Environment Division, which is managed by the Chief Sustainability Officer.

Hitachi, Ltd., a company with Nominating Committee, etc. under the Companies Act, has adopted a committee system to separate the responsibilities for management oversight from the execution of business operations. Under this system, the Audit Committee of independent directors conducts an audit of sustainability-related operations once a year. Reports on climate change and other environment-related material issues are made to the committee by executive officers of Hitachi, Ltd.

P018 Framework for Promoting Sustainability Strategy

#### ▶ Framework for Promoting Environmental Governance



#### ▶ Environmental Value Promotion Meetings

Meeting	Attendees	Purpose	Frequency
Sustainability Promotion Meeting	Chief Sustainability Officer, Business promotion division heads at BUs & key Group companies and RHQ Sustainability Officers	Deliberation, implementation and monitoring of material sustainability initiatives	Twice per year
Internal Environment Initiatives Division Progress Meeting	Heads of Business promotion/ Environment-related/ MONOZUKURI (production)/Procurement divisions from BUs and key Group companies	Formulating and implementing plans based on the environmental action plan	Twice per year
Eco-Management Meeting	Heads of Environment-related divisions from BUs and key Group companies	Deliberation and implementation of actual action plan to achieve Hitachi Environmental Long-term goals	Twice per year
CN2030 Promotion Project Meeting	Heads and members of Environment-related/ MONOZUKURI (production) divisions from BUs and key Group companies	Monitoring and implementation of CN action plan and discussion of acceleration	Every quarter
3R Promotion Project Meeting	Heads and members of Environment-related/ MONOZUKURI (production) divisions from BUs and key Group companies	Promotion of actions for 3R activities toward realizing CE	Every quarter
Procurement related Meeting (Group Procurement Strategy Meeting etc.)	Chief Procurement Officer, heads of the procurement divisions at BUs and key Group companies	Disseminating Hitachi group global procurement policy and strategy, and discussion on the framework of Sustainable Procurement	Twice or more per year

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### System for Executive Compensation Incorporating Environmental Value

**System**

In fiscal 2021, Hitachi introduced evaluations that take environmental value into consideration in the executive compensation system for the first time with the aim of accelerating the creation of environmental value. All executive officers, including the CEO, set targets for environmental value and were evaluated for their achievement of individual targets.

▶ Examples of Environmental Targets Reflected in Fiscal 2022 Compensation Evaluations

Sustainability Targets	
Decarbonization	<ul style="list-style-type: none"> <li>• Efforts to realize carbon neutrality*1 in business sites (factories and offices) by fiscal 2030</li> <li>• Efforts to achieve carbon neutrality*1 by fiscal 2050 throughout the value chain</li> </ul>
Resource efficiency	<ul style="list-style-type: none"> <li>• Efforts related to resource efficiency</li> </ul>

\*1 Regarding fiscal 2030 and fiscal 2050 decarbonization targets, single-year targets are set Groupwide and for each BU.

📄 P166 Reflecting Sustainability Targets in Executive Compensation Evaluation

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## Environmental Management System

### Enhancing Our Environmental Management System

#### System

Hitachi has globally applicable criteria for environmental management classification to conduct environmental management properly and efficiently in accordance with the environmental load and compliance risk levels of Group business sites, both large and small. We assign a score for each classification item, such as the amount of power consumed, the volume of waste generated, water usage, and whether or not legal restrictions apply. All Group business sites are classified into one of three categories: A, B, or C, and environmental management is then conducted based on the respective level of risk. Of our approximately 1,500 business sites, about 160 major sites are classified as category A currently. Among acquired Group companies, business sites with a large environmental load (equivalent to category A) are classified as category A after a few years of adjustment during which they adapt to Hitachi's environmental management.

The business units and Group companies that manage A sites participate in drawing up the Eco-Management Meeting's Environmental Action Plan, setting targets based on it and striving to achieve these targets. The Environmental Action Plan is disseminated throughout the entire Hitachi Group by environmental strategy officers, chosen from among the heads of environment divisions of those organizations.

In addition to adhering to the in-house environmental management system, our main global category A manufacturing sites have acquired third-party certification, such as ISO 14001.

P074 Number of ISO 14001 Certified Companies

#### 📍 Categories by Criteria for Classification of Environmental Management

	Setting targets based on the Environmental Action Plan and reporting environmental load data to Hitachi, Ltd. headquarters	Reporting environmental load data to environmental strategy officers within their own group	Responding to the management classification survey and reporting violations of environmental laws and regulations to Hitachi, Ltd. headquarters
Category A	○	○	○
Category B	–	○	○
Category C	–	–	○

### Environmental Data Collection System

#### Activities

As part of its environmental management, Hitachi uses the Environmental Data Collection System (Eco-DS) to collect about 20 categories of environmental load-related data ranging from energy use, water use, and waste generation, to whether an item falls under relevant environmental laws and regulations, and environmental accounting. In fiscal 2021, data collection covered about 1,500 business sites in 67 countries. We are working to progressively expand the scope of collection to estimate the environmental load of the entire Hitachi Group. We have also set up an international help desk to support the system's operation and promote understanding of environmental management, offering support in Japanese, English, and Chinese.

The aggregated data is used to provide feedback to improve environmental measures, such as in determining business sites' environmental management classifications; identifying environmental management issues; and sharing instructive examples within the Group, as well as to calculate green points (GPs) in GREEN 21 evaluations. Approximately 160 major sites classified as category A aggregate data on key items biannually.

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### Chemical Substance Management System

Hitachi manages data on chemical substances in procured materials, parts, and products using A Gree'Net, a green procurement system compatible with the chemSHERPA\*1 format, to grasp what chemical substances are used in our products—from design and development, procurement, and production to quality assurance and shipping—and to respond to export partners' legal and regulatory frameworks.

To ensure proper use of chemical substances in our business operations, we operate a database for chemical substance management called CEGNET, which keeps track of the latest laws and regulations and our own voluntary regulations and supports searches for new substance risks. The system also registers chemical substances used and aggregates data on amounts handled, emitted, and transferred in our operations, helping to reduce their volume.

\*1 chemSHERPA: A shared transmission scheme throughout the supply chain to ensure proper management of chemical substances in products and continuing compliance with the ever-growing requirements of major global laws and regulations like the REACH regulation (EU regulation of Registration, Evaluation, Authorisation and Restriction of Chemicals) and RoHS directive (EU rules restricting the use of hazardous substances in electrical and electronic equipment).

#### Achievements in FY 2021: Briefings for Procurement Partners

Data regarding chemical substances contained in approximately 1.35 million materials, parts, and products are registered in A Gree'Net as of the end of fiscal 2021. Each year, we hold briefings for procurement partners on using A Gree'Net on using the system, chemSHERPA, and regulatory revision trends. In fiscal 2021, we held eight online briefings, for a cumulative total attendance of 2,613 people.

### “Eco-Factories & Offices Select” Certification

System    Activities

Hitachi recognizes business sites featuring high levels of environmental consciousness with Eco-Factories & Offices Select certification based on criteria that were developed for our manufacturing (factory) and non-manufacturing (office) divisions, making evaluations for certification each fiscal year for all locations. Superior policies from certified factories and offices are shared with the entire Group, with other locations encouraged to implement them as well to raise levels of environmental awareness.

In fiscal 2021, of our approximately 1,500 facilities, two were newly certified, and 48 had their certifications renewed. The total number of certified factories and offices was 50.

[Certified Eco-Factories and Offices Select](https://www.hitachi.com/environment/select/list/index.html)  
<https://www.hitachi.com/environment/select/list/index.html>

### Environmental Education for Employees

Activities    Training

Hitachi offers environmental education using e-learning for all Group employees, from new hires to executive officers. We provide once a year specialized training on environmental risks and compliance with environment-related laws and regulations for working-level employees in charge of environmental management and internal environmental auditors. Particularly in China, where we have more than 20 category A sites, we provide training focused on compliance with the country's increasingly strict environmental laws and regulations.

#### ▶ Environmental Education in Fiscal 2021

Contents of training	Target	Number of participants
e-learning material: Climate change	All employees in the Hitachi Group	132,773 people (as of March 31, 2022)
Hitachi Group training on recent amendments to laws and operational procedures as well as basic environmental management	Employees working in air, water quality, and waste management	Japan: 1,826 people from 64 companies (1,127 people in waste management, plus 699 people in legal compliance) China: 163 people from 59 companies
Environmental management training program to reduce environmental risks in China and raise the knowledge of working-level employees	Working-level employees	191 people from 61 companies
Training for new employees	New employees in the China Hitachi Group	17 people from 10 companies

Note: Hitachi normally refers to its suppliers (including vendors or providers) as “procurement partners” who build business together on an equal footing.

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### Environmental Compliance

**Activities**

In addition to ensuring compliance with the laws and regulations of each country and region, Hitachi strives to minimize environmental risks by setting compliance with voluntary management criteria that are more stringent than regulatory requirements and carrying out internal audits. We make periodic examinations of soil and groundwater for any contamination at business sites where hazardous chemical substances are being or were once used. If contamination is found, we will conduct cleaning and monitoring activities until decontamination is complete.

If we find a violation or receive a complaint, we take steps to share information about the causes and countermeasures throughout the Group and connect these efforts to the prevention of similar incidents. Business sites where legal or regulatory violations have occurred in particular are designated as high-risk business sites for a three-year period as a corrective measure. Appropriate guidance provided to such sites by business units and Group companies in charge of their management serves to strengthen their compliance activities on an ongoing basis and prevent recurrences.

📍 Implementation Status of Internal Environmental Audits

Implementing division	Target	Frequency
Corporate division of Hitachi, Ltd. (Sustainability Promotion Division)	Business units, headquarters of Group companies, and business sites classified as category A in our environmental management classification	
Corporate divisions of business units and Group companies (environment divisions)	Major business sites and subsidiaries of business units and Group companies*1 ..... Sites of business units and Group companies outside Japan that are classified as category A in our environmental management classification*2	Usually every three years
ISO 14001-certified sites (audit teams)	Divisions within business sites	

\*1 According to the Hitachi Group Global Audit Standards, which specify matters concerning internal audits conducted by business units and Group companies.

\*2 According to the Environmental Action Plan.

📄 P074 Number of Regulatory Violations and Complaints