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## Business Ethics and Compliance

GRI 103-2

Relevant SDGs

10 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

### Why

— Why it matters —

With the globalization of the economy, overarching regulations and differences in governmental and economic frameworks, the importance of building a culture based on ethics, honesty and integrity are key.

Today more than ever, corporations are called upon to be ethical, fair and transparent in the way they do business. This obligation is rightly front and center in the minds of Hitachi's stakeholders.

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



### Business Ethics and Compliance

What — What we are doing —	How — How we are doing it —										
<ul style="list-style-type: none"> <li>• Complying with Hitachi Group Codes of Conduct</li> <li>• Cultivating a Culture of Ethics and Compliance</li> <li>• Ethics and Compliance Risk Assessments</li> <li>• Enhancing the Hitachi Global Compliance Hotline</li> <li>• Preventing bribery and corrupt practices</li> <li>• Complying with competition laws</li> <li>• Carrying out strict export controls</li> <li>• Implementing thorough tax compliance</li> </ul>	<div style="background-color: #f0f0f0; padding: 10px; margin-bottom: 10px;"> <p style="text-align: center; margin: 0;"><b>Policy and promotion structure</b></p> <p>The Hitachi Group Codes of Conduct (including the Hitachi Group Code of Ethics and Compliance) spell out decision-making procedures and actions for all Hitachi Group executives and employees. To promote compliance, the Hitachi Group Head of Ethics and Compliance leads the One Hitachi Compliance Program, a program for global compliance initiatives. We work together with the Ethics and Compliance representatives, located in group companies around the globe, to streamline business ethics standards to drive efficiencies and the effectiveness of the One Hitachi Compliance Program.</p> </div> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #333; color: white;"> <th colspan="2" style="padding: 5px;">Achievements in FY 2021</th> </tr> </thead> <tbody> <tr> <td style="width: 30%; padding: 5px;">Complying with Hitachi Group Codes of Conduct</td> <td style="padding: 5px;">Translated into multiple languages and shared with Hitachi Group executive officers and employees around the world.</td> </tr> <tr> <td style="padding: 5px;">Cultivating a Culture of Ethics and Compliance</td> <td style="padding: 5px;">Set a global target to measure and improve Hitachi's ethical culture. Conducted ethics and compliance training for all executive officers and employees. (Participation rate: 99.1% in the Hitachi Group globally) Joined Ethisphere's Business Ethics Leadership Alliance.</td> </tr> <tr> <td style="padding: 5px;">Enhancing the Hitachi Global Compliance Hotline</td> <td style="padding: 5px;">Received 1,023 reports from all Group companies worldwide.</td> </tr> <tr> <td style="padding: 5px;">Implement prevention of bribery and corrupt practices and compliance with competition law</td> <td style="padding: 5px;">Established Standards for the Value Limits and Frequency of Entertainment and Gifts Applicable to Commercial Parties and revised the Approval Procedures on Donation Expenditures. Revised guidelines for preventing cartel activity.</td> </tr> </tbody> </table>	Achievements in FY 2021		Complying with Hitachi Group Codes of Conduct	Translated into multiple languages and shared with Hitachi Group executive officers and employees around the world.	Cultivating a Culture of Ethics and Compliance	Set a global target to measure and improve Hitachi's ethical culture. Conducted ethics and compliance training for all executive officers and employees. (Participation rate: 99.1% in the Hitachi Group globally) Joined Ethisphere's Business Ethics Leadership Alliance.	Enhancing the Hitachi Global Compliance Hotline	Received 1,023 reports from all Group companies worldwide.	Implement prevention of bribery and corrupt practices and compliance with competition law	Established Standards for the Value Limits and Frequency of Entertainment and Gifts Applicable to Commercial Parties and revised the Approval Procedures on Donation Expenditures. Revised guidelines for preventing cartel activity.
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## Business Ethics and Compliance

### Doing Business Ethically, Honestly and Transparently

#### Approach

GRI 102-17/406-1

Hitachi counts on employees – including supervisors, managers, leaders – and business partners to know and follow the ethical, legal, and policy requirements that apply to their jobs and for reporting any suspected violations of law or the Hitachi Group Codes of Conduct (including the Hitachi Group Code of Ethics and Compliance; the same shall apply hereinafter) to help Hitachi create a work environment where everyone is empowered to speak up, and to perform at the highest standards. This is fundamental to consistently delivering excellence to our stakeholders, while complying with relevant laws and regulations.

Our focus on business ethics makes Hitachi stronger. It helps us attract, retain, and engage the best employees and select the right business partners. It protects our reputation and relationships with stakeholders. It helps us deliver on our Mission, Values and Vision—the Hitachi Group Identity. Although the Compliance Division of Hitachi, Ltd. oversees the One Hitachi Compliance Program, which is a group-wide initiative to enhance compliance, doing what is right is everyone's responsibility.

Additionally, we have formulated the Hitachi Group Sustainable Procurement Guidelines in which we request our procurement partners to share our commitment to doing business with the highest levels of ethics and integrity and complying with applicable laws and regulations, as well as to share our commitment to human rights.

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

### Complying with the Hitachi Group Codes of Conduct

#### Policy

GRI 102-16/406-1

Hitachi has formulated the Hitachi Group Codes of Conduct, which all executives and employees across the entire Group pledge to uphold. The Hitachi Group Codes of Conduct is translated into more than 15 languages from Japanese and shared with Hitachi Group executive officers and employees around the world.

The Hitachi Group Codes of Conduct explains our standards as well as our legal and ethical responsibilities and provides guidance for expected behaviors. It covers a range of topics such as business ethics, conflicts of interest, fair competition, sustainability, human rights and care for our communities.

The Hitachi Group Codes of Conduct is posted on Group company intranet sites and the Hitachi, Ltd. website to ensure that it is known and practiced by all officers, employees and relevant stakeholders.

The Compliance Division will review annually the Codes to ensure its effectiveness and that legislative and regulatory updates as well as change in social conditions are reflected.

 [Hitachi Group Codes of Conduct](https://www.hitachi.com/corporate/about/conduct/index.html)

<https://www.hitachi.com/corporate/about/conduct/index.html>

### Ethics and Compliance Structure

#### Structure

The Hitachi Group Head of Ethics and Compliance leads the One Hitachi Compliance Program and maintains a reporting relationship to the Audit Committee of the Board of Directors.

The global ethics and compliance team works with Hitachi Group companies and more than 1,500 ethics and compliance representatives located in Group companies around the globe to streamline business ethics standards in order to drive the efficiency and effectiveness of the One Hitachi Compliance Program.

These ethics and compliance representatives are key stakeholders in promoting ethics awareness among management and employees, coaching colleagues through ethical dilemmas, raising concerns and potential risks to their Compliance or Legal Division or the global ethics and compliance team and responding to questions and concerns from employees.

In regular meetings with ethics and compliance representatives, the global ethics and compliance team provides updates on ethics and compliance initiatives, trends, and additional resources to support them as they fulfill the responsibilities of their role.

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### Cultivating a Culture of Ethics and Compliance

Target	Activities
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The global ethics and compliance team develops and implements strategy and initiatives to drive an ethical culture throughout Hitachi's 800+ Group companies. This is part of Hitachi's effort to provide all employees with guidelines and resources that ensure they can understand and do what is right, make ethical decisions, and support compliance with company policies, procedures, and legal requirements.

#### Target

At Hitachi, we encourage employees to apply high ethical standards in their day-to-day work as we strive to build a highly ethical corporate culture. To measure and improve Hitachi's ethical culture, as part of the initiatives of the Ethisphere's Business Ethics Leadership Alliance, we started conducting Ethisphere's best-in-class the Ethical Culture & Perceptions Assessment in fiscal 2022 and 2023. The results of this assessment will be monitored and used to develop tailored KPIs to improve Hitachi's ethical culture. We aim to achieve a baseline score of 60 or above (out of 100) in fiscal 2022, the first year, and to improve the score in fiscal 2023 and each year thereafter.

#### Ethisphere's Business Ethics Leadership Alliance

Hitachi became a member of Ethisphere's Business Ethics Leadership Alliance in October 2021. The Business Ethics Leadership Alliance (BELA) is a globally recognized organization leading companies collaborating to share best practices in governance, risk management and ethics. Hitachi receives access to the BELA Member Hub, a repository of resources provided by BELA companies that are intended to cultivate the exchange of ideas and inspire companies.



#### Business Ethics and Compliance Training

Our annual ethics training on the Hitachi Group Codes of Conduct reinforces Hitachi's commitment to business ethics and keeps all executive officers and employees (including part-time) informed and updated on our high ethical standards and obligations.

#### Achievements in Fiscal 2021

Our fiscal 2021 training course covered business ethics, bribery and corruption, gifts, travel and entertainment, anti-money laundering laws, fraud, antisocial forces, fair competition, export control, company assets, information owned by others, data protection, conflicts of interest, reporting and non-retaliation and Hitachi Global Compliance Hotline.

After completing the training, employees acknowledge that they understand and agree to comply with the Hitachi Group Codes of Conduct and ethics-related policies and protocols.

In fiscal 2021, we reached 99.1% completion of our annual ethics and compliance training.

### Ethics and Compliance Risk Assessments

Activities
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Hitachi conducts ongoing and comprehensive risk assessments including risks of bribery and corruption practices at our Group companies every three to four years to help assure that Hitachi's Compliance Program effectively mitigates and manages top risks. In cases where these reviews identify necessary improvements, corrective measures are developed and implemented.

#### Due Diligence of Third Parties

From fiscal 2017, Hitachi Group has implemented a compliance due diligence program including the introduction of a third-party management system to identify reputational risks associated with bribery, corruption and other factors. This has prevented Hitachi from engaging with parties that have acted or are likely to act in a manner inconsistent with Hitachi's ethical culture.

### Strengthening our Speak-up Culture

Approach
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Hitachi believes that a speak up/listen up culture—where employees are encouraged to raise concerns and feel confident that they can do so without fear of retaliation—is essential to early detection and prevention of ethical and regulatory problems.

We are committed to ensuring our employees feel safe to speak up, to share ideas, and to challenge how business is conducted without fear of retaliation. Employees may raise concerns and ask questions through their managers, a next-level manager or any other manager, Human Resources, Compliance or Legal team members, or using the Hitachi Global Compliance Hotline, our whistleblower system.

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We encourage employees to seek guidance on ethics and business conduct questions and report possible violations of the Hitachi Group Codes of Conduct, company policy or the law.

### Hitachi Global Compliance Hotline (Whistleblower System)

System	Activities	GRI102-17
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The Hitachi Global Compliance Hotline is a 24/7, confidential and anonymous helpline and online reporting system. It is managed by an independent third party and is available to all Hitachi Group employees, contractors, business partners (including procurement partners) and other stakeholders

who can seek guidance on ethics questions including human rights and harassment issues and report any concerns or actual or suspected breach of the Hitachi Group Codes of Conduct or any other improper or illegal conduct. Breaches of the Hitachi Group Codes of Conduct by any of Hitachi’s contracted third parties may also be reported.

Phone numbers for the Hitachi Global Compliance Hotline are available for all employees to speak to a representative in their native language. The phone lines are staffed by specially trained third-party representatives, with translators in more than 50 languages. Web-based reporting is also available to employees. Data supplied in a report is maintained on secure servers maintained by the third party who administers the hotline.

To efficiently address and resolve contacts to the Hitachi Global Compliance Hotline, we assign inquiries to a resource who is a subject matter expert.

After a confidential review of the concern, the investigator determines which reports require an investigation. If an investigation is needed, an appropriate investigative resource is assigned. For concerns that are substantiated, disciplinary actions may be taken. Discipline comes in many forms from warnings to suspensions to termination.

In fiscal 2021, we received 1,023 reports from all Group companies worldwide.

Categories		1 HR issues (Labor management, travel expenses, commuting costs, etc.)	2 Harassment	3 Financial	4 Procurement	5 Competition law	6 Bribery	7 Others	Total
Areas where whistleblowing cases occurred	Americas	64	104	3	6	—	3	58	238
	Europe (including CIS)	26	12	—	2	—	4	54	98
	Middle East North Africa	16	4	—	—	1	1	32	54
	Sub-Sahara	1	—	2	4	1	—	5	13
	APAC (excluding Japan)	50	42	15	10	1	22	94	234
	Japan	69	179	7	4	—	—	127	386
<b>Total</b>		226	341	27	26	3	30	370	1,023

P122 Human Rights

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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### Anti-Bribery and Anti-Corruption

Policy

Activities

GRI 205-2

We require all employees and those with whom we do business to maintain the highest ethical standards in full compliance with all applicable anti-corruption laws. We have zero-tolerance for bribes, kickbacks or any other illegal business practices.

Hitachi has established the Hitachi Group Anti-Bribery and Anti-Corruption Policy, with associated rules, and clarified the standards and procedures concerning entertainment, gifts, and other arrangements provided to or received from public officials and non-public officials alike.

Under the Policy, when providing or accepting entertainment or gifts, or making donations or political contributions, executive officers and employees must not exceed the scope of actions permitted by anti-bribery laws and regulations and must comply with Hitachi's internal rules. These indicate specific spending limits in terms of monetary value and the number of times that entertainment, gifts, and other arrangements may be 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 work hard to ensure that we remain 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.

#### Achievements in Fiscal 2021

In fiscal 2021, we established the Standards for the Value Limits and Frequency of Entertainment and Gifts, applicable to Commercial Parties regarding Hitachi Group Gifts, Travel and Entertainment Protocol and revised the guidelines for the Hitachi Group Charitable Donations and Political Contributions Protocol. The revised guidelines include, the prohibition of donations for illegal profit acquisition and periodic risk assessments of the existing beneficiary based on a risk-based approach.

By doing business in accordance with such Protocols, Hitachi will develop fair and ethical business activities around the world.

#### Educational Activities for Preventing Bribery and Corrupt Practices

To ensure awareness of the stipulations on prevention of bribery and corruption spelled out in the internal Hitachi Group Anti-Bribery and Anti-Corruption Policy and Business Conduct, we offer teaching materials for use by Group companies worldwide.

### Fair Competition

Policy

Activities

Hitachi engages in business in accordance with the law and with business ethics, and practicing fair and open competition. Business standards and guidelines related to these principles are included in the Hitachi Group Codes of Conduct as well as the internal Hitachi Group Fair Competition Policy. In fiscal 2021, we revised the guidelines for preventing cartel activity and improved the relevant forms based on the revised guidelines.

#### Educational Activities for Preventing Violations of Competition Law

Paralleling our initiatives to prevent bribery and corrupt practices, we are also rolling out global learning and development programs on competition law, while also ensuring compliance with all related rules, business standards, and guidelines. To enhance awareness of ethical principles and practices worldwide, we have issued a global version of our standards on contact with competitors.

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### Prevention of Antisocial Transactions and Money Laundering

#### Approach

#### Activities

To cut off all relationships with 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 all new as well as existing business partners. In Japan, we insert 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 Removal of Criminal Organizations or the police).

In fiscal 2020, we revised our rules, adding provisions on the prevention of money laundering in addition to the prevention of antisocial transactions, seeking to clarify Hitachi's stance of not tolerating money laundering as well as to strengthen concrete initiatives. We establish these concrete initiatives to eliminate the possibility of involvement with persons or organizations engaged in money laundering or other illegal activities in and outside Japan. To that end, we conduct due diligence on all customers and business partners, including checking the sanctions lists of each country, checking payment details, and including clauses in business contracts to prevent money laundering and terrorist financing.

### Export Controls

#### Approach

#### Activities

For basic export control policies, we have adopted The Hitachi Group Codes of Conduct, which states: "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 ensure implementation of 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.

As part of our educational program for all Group companies, we operate online courses and e-learning programs on export controls. We operate a basic e-learning program in 14 languages and an e-learning program for practitioners in Japanese and English. Hitachi is working to ensure that export controls are thoroughly enforced throughout the Group.

### Hitachi's Tax Compliance Approach

#### Approach

GRI 207-1/207-2/207-3/207-4

Under the Chief Financial Officer (CFO), Hitachi has built a system of tax governance designed to address tax risks associated with the globalization of its business, such as indications made by the tax authorities and tax-related legal proceedings in each country. Specifically, we have established tax-related rules for the purposes listed below.

To ensure thorough compliance with these rules, we are striving to raise awareness of them among all employees involved in tax management (filing and paying taxes,

handling tax audits, and managing tax risk) and the handling of other tax-related matters.

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 in a manner befitting their status 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 these companies do business, and strive to maintain and develop those relations.

In accordance with these rules, we have established rules on transfer pricing management for Group companies, seeking to identify and mitigate potential taxation risks related to transfer pricing in transactions with foreign-affiliated parties, and to help ensure compliance. As stated above, we are striving to raise awareness of these rules and ensure that they are followed.



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### Tax Compliance Initiatives

#### Activities

By following the relevant tax-related rules applicable to the Group as a whole, Hitachi manages tax risks associated with globalization. For example, we are strengthening our risk management as well as compliance with laws and regulations by identifying and sharing indications made by the tax authorities and tax-related legal proceedings in each country. The results of our tax filings and tax audits in Japan are reported to the CFO, and we are continuously working to ensure appropriate tax reporting and prevent fraud. In preparing tax filings, we determine whether anti-tax haven legislation applies, and when it does, we reflect it properly in the tax filing to ensure that we make appropriate tax payments.

Hitachi follows rules for transfer pricing management and also manages 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.

In the fiscal year ended March 31, 2022, we paid 248.4 billion yen\*1 in corporate income tax (68% in Japan and 32% outside Japan\*2).

\*1 Refer to income taxes paid in consolidated statements of cash flows of Hitachi, Ltd.

\*2 Based on the percentage in the country-by-country report submitted to tax authorities

### Violations of Laws and Regulation

#### Activities

GRI 205-3/206-1/419-1

In fiscal 2021, there were no incidents in which Hitachi was prosecuted or penalized by authorities for bribery, corrupt practices, competition law or export control. Regarding tax compliance, Hitachi acts in accordance with all applicable laws and regulations and did not receive any significant fines or nonmonetary sanctions for noncompliance with tax laws and regulations in fiscal 2021.