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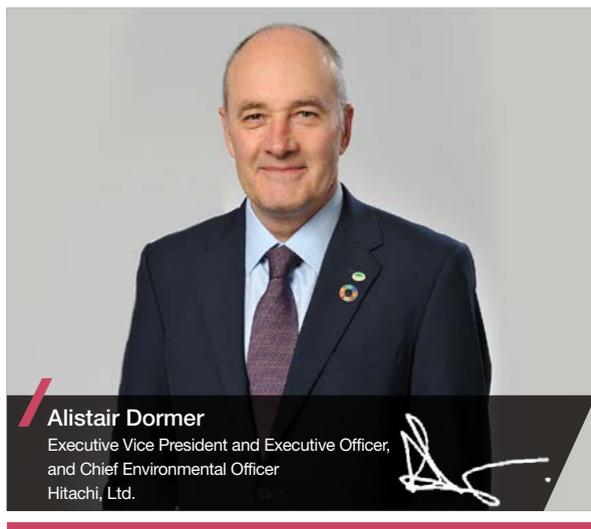
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# Hitachi Sustainability Report 2021

## / Message from the Chief Environmental Officer GRI 102-14/102-15

### A Company That Contributes to Environmental Impact Reductions and the Realization of a Decarbonized Society



**Alistair Dormer**  
Executive Vice President and Executive Officer,  
and Chief Environmental Officer  
Hitachi, Ltd.

Countries worldwide are currently working to further bolster climate change countermeasures. The European Union has announced updates to its 2020 NDCs (nationally determined contributions to reduce greenhouse gas emissions) of now achieving climate neutrality by 2050 and reducing greenhouse gas emissions by at least 55% by 2030 compared to 1990. Japan has announced it too shares the goal of carbon neutrality by 2050 as well. In responding to environmental issues, and particularly to climate change, the implementation of specific initiatives has become essential, as has technological development with a medium- to long-term perspective.

Hitachi aims to become a Climate Change Innovator helping to support governments', cities', and companies' efforts to reduce greenhouse gas emissions. Hitachi is proud to be the first Japanese company to join the group of Principal Partners for COP26, the 26th United Nations Climate Change Conference, to be held in Glasgow, the United Kingdom, in November 2021. For over 110 years since the company's foundation, Hitachi has been putting the Hitachi Mission—"Contribute to society through the development of superior, original technology and products"—into practice, contributing to the realization of a decarbonized society through our operations. Our aim is to achieve a decarbonized society, a resource efficient society and a harmonized society with nature. Our participation in COP26, I feel, constitutes a major step toward the realization of a decarbonized society.

Our 2021 Mid-term Management Plan places an emphasis on environmental value, and clearly indicates our commitment to focus our efforts on environmental activities. Having taken the post of chief environmental officer in April 2021, I will work to accelerate the pace of our environmental initiatives.

In 2020 we announced the aim for our business sites (factories and offices) to become carbon neutral by fiscal 2030. And in September 2021, we also declared that we will work toward achieving carbon neutrality throughout our value chain by fiscal 2050, further enhancing our existing goals. In December 2020, Hitachi obtained accreditation from the Science Based Targets initiative (SBTi) for its efforts to reduce greenhouse gas emissions and also recognition

that it is a signatory to the Business Ambition for 1.5°C commitment, which seeks to limit the global temperature increase to 1.5°C above pre-industrial levels, one of the aims of the Paris Agreement. Having also joined the UN Race to Zero campaign, we will work to make contributions to the realization of a net zero society.

Furthermore, as of April 2021, we have also incorporated environmental value as a criteria to be evaluated in the executive officer compensation system, with the aim of strengthening our governance.

Having Hitachi ABB Power Grid\*1, who has the world's No. 1 technology and market share in the power grid business field, joining our group, we now possess the technology to efficiently provide energy from generating stations to points of consumption. Additionally, we have established Hitachi Astemo, through a merger of Hitachi Automotive Systems with three Honda-affiliated companies, to realize the creation of core components and solutions that advance motorization and hold the key to the future of next-generation automobiles. Hitachi will leverage such new business portfolios to the utmost and utilize the power of our many businesses and digital innovations, particularly in our IT, Energy, Industry, and Mobility sectors in working toward a decarbonized society. Through these efforts I am confident that Hitachi will be able to make contributions to activities such as the reduction of governments', cities', and companies' environmental impacts, as well as the realization of a decarbonized society.

\*1 In October 2021, the company's name was changed to Hitachi Energy, to show a strengthened commitment to sustainable energy in the future.

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## Hitachi's Environmental Strategy

In fiscal 2016, toward building a low-carbon society, Hitachi set the target of reducing CO<sub>2</sub> emissions through its value chain by 80% by fiscal 2050 compared to emissions in fiscal 2010, in order to achieve our long-term environmental targets called Hitachi Environmental Innovation 2050. After releasing the targets, the IPCC 1.5°C Special Report was published in 2018 stating that further measures are needed to limit global warming to 1.5°C. Each country has strengthened its measures when resubmitting NDCs (nationally determined contributions to reducing greenhouse gas emissions determined by a country/region) in 2020. The world is rapidly moving toward a decarbonized society with the EU announcing its goal of achieving climate neutrality in 2050 and reducing GHG emissions by at least 55% compared to 1990, and Japan also announcing its goal of achieving carbon neutrality in 2050.

In the 2021 Mid-term Management Plan, Hitachi has clearly stated its commitment to focusing on the creation of environmental value. In terms of business, we are working to strengthen sectors including our railway business (a means of transportation with a small environmental impact) and our grid solutions business which plays an important role in electrification and decarbonization of the energy sector. We continue to make progress with such efforts, building business portfolios able to further contribute to the achievement of a decarbonized society. Looking forward, Hitachi will remain committed to working together as one and combining innovative products and services to contribute to our customers' decarbonization as well. In 2021, Hitachi became the first Japanese company to take on the role of a Principal Partner for COP26.

Based on these internal and external changes, Hitachi has promoted aiming for a decarbonized society, one of the long-term environmental targets set out in Hitachi Environmental Innovation 2050, with the goal of leading climate change measures committed to achieving a decarbonized society.

Toward a  
Decarbonized  
Society

- Achieve carbon neutrality by 2050 through the value chain and reduce CO<sub>2</sub> emissions by 50% by fiscal 2030 (compared to fiscal 2010)
- Achieve carbon neutrality in business sites (factories and offices) by fiscal 2030

We will implement the following initiatives companywide to achieve our new long-term environmental goals:

**(1) Achieve carbon neutrality in business sites (factories and offices) by fiscal 2030**

- We will further improve production efficiency and energy use efficiency during the production by using production technology developed over a long time and the Lumada platform and by adopting and updating highly efficient equipment in our business sites (factories and offices). We will also acquire renewable energy and adopt equipment for it to effectively promote carbon neutrality at our business sites.
- We will encourage use of our Hitachi Internal Carbon Pricing (HICP) system which was introduced to provide incentives for capital investments that contribute to CO<sub>2</sub> reductions. HICP is an in-house system to visualize the amount of CO<sub>2</sub> reductions from capital investments in factories and offices, and then convert it into costs and apply it to investment decisions.

**(2) World-class energy efficiency of products**

- We will promote world-class energy efficiency in our products provided to our customers by considering reductions in environmental impacts from the design stage.

**(3) Active promotion of projects that contribute to society's overall shift to carbon neutrality**

- In order to speed up the shift to carbon-neutral energy systems, we will combine power grids (transmission/distribution networks) that support the expansion of renewable energy with state-of-the-art intelligent control systems which will serve as stronger, more reliable, and more secure energy systems that contribute to a decarbonized society.
- We will contribute to popularizing decarbonized mobility by encouraging the spread of highly energy-efficient high-speed railcars and hybrid railcars with storage batteries, providing EV systems to expand the EV market, and creating and enhancing EV value chains to help promote the spread of EVs.
- We will contribute to the decarbonized operations of our customers by providing Lumada-powered solution services which help reduce CO<sub>2</sub> emissions by advancing the digitalization of society.

**(4) Develop technology that paves the way for transitioning to a decarbonized society**

- Hitachi is taking the approach of backcasting from 2050 and promoting research and development that can respond to the rapid changes in society. Hitachi plans to set the amount of R&D investments at ¥1.5 trillion over a three year period. In the environmental field that includes promoting research and development in areas such as grid control technology that would bring about the mass adoption of renewable energy, electrification/motorization and operation management technology, state-of-the-art materials, and CO<sub>2</sub> absorption and utilization and thus contribute to a net zero society.

**(5) Work with suppliers toward a decarbonized society**

- As part of the initiatives to promote carbon neutrality in our supply chain, starting in fiscal 2021 we plan to request that 70% of our suppliers (based on the total amount of our transactions and does not include publicly listed subsidiaries) formulate CO<sub>2</sub> reduction plans.