

5

Governance

Governance

Corporate Governance

➤ Compliance

Risk Management

Information Management

Governance Data



Compliance

GRI 103-2

Why

— Why it matters —

With the globalization of the economy, borderless corporate 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.

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 thorough compliance with them throughout the Group.



Promoting Work Practices in Line with International Codes of Ethics

What

— What we are doing —

- Comply with the Hitachi Group Codes of Conduct
- Establishing and strengthening a compliance framework
- Instituting and integrating a compliance reporting system
- Preventing antisocial transactions and money laundering
- Preventing bribery and corrupt practices
- Complying with competition laws
- Carrying out strict export controls
- Implementing thorough tax compliance

How

— How we are doing it —

Policy and promotion structure	The Hitachi Group Codes of Conduct and 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, Hitachi has implemented the Hitachi Group Compliance Program (HGCP) based on these standards. In addition, information is shared with business units, key Group companies, etc., under the supervision of personnel responsible for Group-wide risk management and compliance.
Achievements in Fiscal 2020	
Complying with the Hitachi Group Codes of Conduct	Formulated the Hitachi Group Code of Ethics and Compliance Had more than 300,000 executives and employees complete an e-learning program on the Hitachi Group Code of Ethics and Compliance (provided in 15 languages)
Strengthen compliance	Hitachi Group Compliance Conference for working-level employees twice, each was divided among four regions Held interviews and provided improvement guidance for Group companies deemed “high-risk” in the compliance risk survey
Institute and integrate a compliance reporting system	Launched a Group-wide internal reporting system called the Hitachi Global Compliance Hotline and worked to integrate internal reporting systems within the Group with it (Total number of Group-wide compliance reports: 639)
Implement prevention of bribery and corrupt practices and compliance with competition law	Established the Hitachi Group Anti-Bribery and Anti-Corruption Policy as well as the 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 Established the Hitachi Group Fair Competition Policy and clarified the participation of departments responsible for compliance in types of conduct other than with cartels (vertical relationships with customers, channel partners, suppliers, and so on)

5

Governance

Governance

Corporate Governance

> Compliance

Risk Management

Information Management

Governance Data

Hitachi
Sustainability
Report
2021Promoting Work Practices in Line with International Ethics Codes GRI 406-1

Hitachi Group Codes of Conduct

Policy

Employee Engagement

GRI 102-16

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 14 languages from Japanese and shared with Hitachi Group executive officers and employees around the world.

In April 2020, we established the Hitachi Group Code of Ethics and Compliance. This code supplements the Codes of Conduct and makes clear the ideas on corporate ethics and compliance that must be shared across the entire Hitachi Group.

Hitachi's executive officers and employees around the world have diverse cultural and educational backgrounds. To ensure they thoroughly uphold corporate ethics and compliance, all executive officers and employees take an annual e-learning course on corporate ethics. In addition, the Hitachi Group monitors employees' awareness of matters such as business ethics and compliance with an annual survey as part of its efforts to cultivate a healthy corporate culture.

Given the global reach of Hitachi's business, the growth in possible risks is a concern. The Hitachi Group is working hard to identify and avoid procurement risks throughout the supply chain as much as possible. The third edition of the Hitachi Group CSR Procurement Guidelines revised by the Hitachi Group in January 2017 is based on version 5.1 of the Electronic Industry Citizenship Coalition (EICC) Code of

Conduct as well as the Hitachi Group Codes of Conduct established in August 2010. We distribute the guidelines to suppliers and make efforts to raise awareness of them as CSR codes of conduct and standards that we expect suppliers to adhere to.

In addition, we reviewed the guidelines in fiscal 2021. The revised guidelines have been titled the Hitachi Group Sustainable Procurement Guidelines.

[Hitachi Group Code of Ethics and Compliance](#)

Achievements in Fiscal 2020

In fiscal 2020, more than 300,000 executive officers and employees across the Hitachi Group took an e-learning course (provided in 15 languages) on the Hitachi Group Code of Ethics and Compliance. (The participation rate was over 98%)

We have revised the Hitachi Group's compliance rules. The three objectives for the revisions are as follows: make codes that are easy for executive officers and employees to understand, and provide substantive reasons when actions are taken; and more clearly share the compliance policy of Hitachi that is aligned with global standards with companies and business divisions that join the Hitachi Group, including through corporate buyouts.

Compliance Framework Structure

Structure

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

To implement this program we have appointed the Hitachi Group Head of Risk Management and the Hitachi Group Head of Ethics and Compliance to supervise the Head of Ethics and Compliance in business units, key Group companies, and other organizations. Under this system, policies and measures on compliance are shared through communication with these Head of Ethics and Compliance. Head of Ethics and Compliance are assisted by a Compliance Manager who implements practical support measures. Globally, we have also appointed Regional Head of Compliance 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 conducts Group-wide reviews once every four years to verify that each area of compliance is being appropriately conducted. In cases where these reviews identify necessary improvements, corrective measures are swiftly implemented.

In order to identify various risks, including risks of

5

Governance

Governance

Corporate Governance

Compliance

Risk Management

Information Management

Governance Data

bribery and corrupt practices, Hitachi conducted risk assessments on Group companies outside Japan in the fiscal years of 2013 and 2017 and on all Group companies in 2019. We will continue to perform regular risk assessments like these and use the results to improve compliance activities in all Group companies.

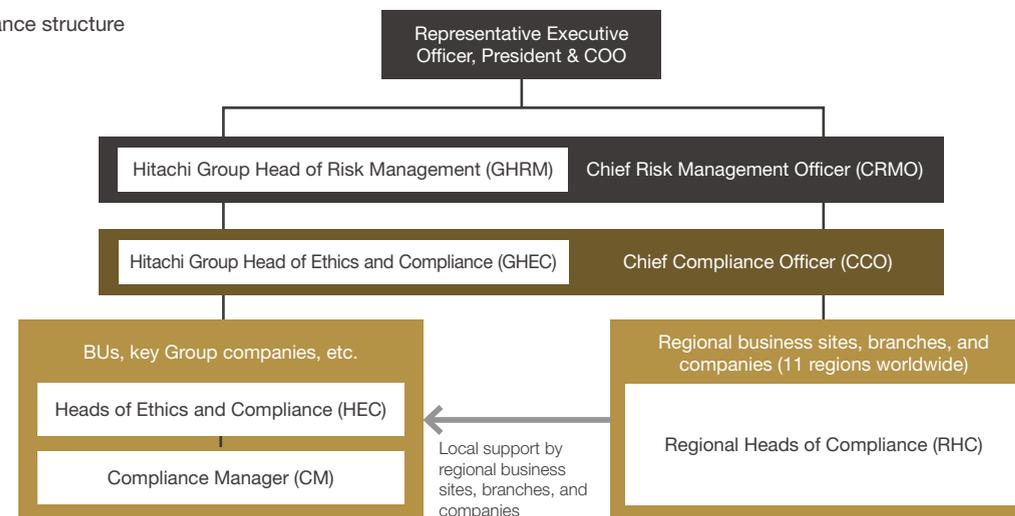
Achievements in Fiscal 2020

In the second half of the year, we appointed personnel in the United Kingdom to promote the compliance program and made other efforts to strengthen its structure globally with the aim of driving implementation and optimization of the HGCP across the entire Hitachi Group.

In May and June 2020, and January 2021, we held a Hitachi Group Compliance Conference for compliance persons in charge at business units and Group companies. The conference was held four times for compliance persons in charge in each of the following four regions: Japan; North, Central, and South America; Asia-Pacific; and Europe, the Middle East, and Africa. At the conference in January 2021, the Chief Compliance Officer (CCO) personally explained Hitachi's policies.

Interviews were conducted at Group companies deemed to be high risk based on the compliance risk survey performed in fiscal 2019. The interviews were used to closely examine the situation at those companies and provide guidance on how to improve. Based on the survey results, we will continue to 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 structure



5

Governance

Governance

Corporate Governance

> Compliance

Risk Management

Information Management

Governance Data

Hitachi
Sustainability
Report
2021

Compliance Reporting System

System

GRI 102-17

To prevent and promptly address illegal or inappropriate activity and enhance its ability to self-regulate, Hitachi has instituted an internal reporting system, a so-called whistleblower system, allowing direct reports to be made regarding actual or suspected compliance violations including the provision of improper benefits to public officials in and outside Japan. This system can be used anonymously, 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 reporters are informed of the investigation results. We make every effort to deal with situations as appropriate, including taking remedial action where necessary. In fiscal 2020, we received 639 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.

Achievements in Fiscal 2020

In fiscal 2020, 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. The harassment consultation service previously under the management of the human capital division and the internal reporting systems independently maintained by Group companies were integrated into the new system. However, the above-mentioned Channel to the Board of Directors was not integrated, as the systems have different purposes. The new system enhances our reporting capacity by offering a service 24 hours a day every day in multiple languages both online and by telephone. In cooperation with business units and relevant departments at Group companies, we strive to promptly investigate, respond to, and take corrective actions regarding reports received through the hotline.

Prevention of Antisocial Transactions and Money Laundering

Policy

Structure

To cut off all relationships with antisocial forces, in the Hitachi Group Codes of Conduct and the Hitachi Group Code of Ethics and Compliance, 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).

In fiscal 2020, we revised our established rules, adding provisions on the prevention of money laundering in addition to the prevention of antisocial transactions with a view to clarifying Hitachi's stance of not tolerating money laundering and to strengthen concrete initiatives to prevent it.

Policies for Preventing Bribery and Corrupt Practices

Policy

Preventing bribery and corrupt practices is a major challenge for any company today. Hitachi established the Hitachi Group Anti-Bribery and Anti-Corruption Policy along with related regulations as part of the Hitachi Group Compliance Program (HGCP). When providing or accepting entertainment or gifts, or making donations or political

5

Governance

Governance

Corporate Governance

> Compliance

Risk Management

Information Management

Governance Data

Hitachi
Sustainability
Report
2021

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 the monetary value and number of times for entertainment, gifts, and other arrangements to 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 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

GRI 205-2

To ensure awareness of rules and policies concerning prevention of bribery and corruption spelled out in the Hitachi Group Codes of Conduct, the Hitachi Group Code of Ethics and Compliance, and the Hitachi Group Compliance Program (HGCP), we have developed teaching materials and made them available in several languages for use by Group companies worldwide.

Achievements in Fiscal 2020

In fiscal 2020, we established the Hitachi Group Anti-Bribery and Anti-Corruption Policy along with related regulations, clarifying the standards and procedures for entertainment, gifts, travel, and other arrangements provided to and received from others, whether public officials or not.

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 Hitachi Group Compliance Program (HGCP), in addition to the Hitachi Group Fair Competition Policy.

Preventing Violations of Competition Law

Activities

As with our initiatives against bribery and corrupt practices, we are developing educational activities globally while at the same time ensuring that we comply with the related rules, 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 Fiscal 2020

In fiscal 2020, as we reviewed our rules related to compliance, as described above, we established the Hitachi Group Fair Competition Policy, which are rules for complying with competition laws. We also clarified the involvement of compliance departments in types of conduct other than cartels (vertical relationships with customers, channel partners, suppliers, and others).

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 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 staff in Japanese and English. These ongoing efforts help ensure that export controls are thoroughly enforced throughout the Group.

Hitachi's Tax Compliance Approach

Approach

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

Hitachi has built a system of tax governance in order to respond to 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,

5

Governance

Governance

Corporate Governance

> Compliance

Risk Management

Information Management

Governance Data

Hitachi
Sustainability
Report
2021

we established tax-related rules for the purposes listed below. To ensure thorough compliance with the rules, we are striving to raise awareness of them among all employees involved in tax management (filing and paying taxes, handling tax audits, and tax risk management) and the handling of other tax 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 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.

In accordance with these rules, we have established rules on transfer pricing management for Group companies 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 they are followed.

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 strengthen our risk management as well as compliance with laws and regulations by identifying and sharing indications made by the tax authorities and the tax related legal proceedings in each country. The results of our tax filings and tax audits in Japan are reported to the management, 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 in an effort to 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, 2021, we paid 188.9 billion yen*1 in corporate income tax (76% in Japan and 24% 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 2020, there were no incidents in which Hitachi was prosecuted or penalized by the authorities regarding bribery, corrupt practices, competition law or export control. 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.