



Company Engagement Questions:

KnowTheChain Information and Communications Technology Sector benchmark

Companies can use these questions to provide additional information relevant to KnowTheChain's benchmarking of companies commitments and programs targeted at addressing human trafficking and forced labor in the supply chain.

Please note that answers to these questions will be made publicly available on the [website of Business & Human Rights Resource Centre \(BHRRC\)](#), one of the partners in KnowTheChain. The project will maintain a strict standard of only including information provided via a company's public website or BHRRC's website in the evaluation.

Please send your answers to Annabel Short, Program Director, Business & Human Rights Resource Centre: short@business-humanrights.org, with a cc to Megan Wallingford, Senior Advisor, Advisory Services, Sustainalytics: megan.wallingford@sustainalytics.com.

We encourage companies to answer as many of the questions as possible. You may wish to focus particularly on those for which your company currently does not have information available on its website.

Name of company: Hitachi, Ltd.

Name of respondent: CSR and Environmental Strategy Division

Position of respondent:

Respondent's contact information (email): csr@hitachi.co.jp

***Please note that Hitachi is a conglomerate and ICT is a part of our business (19% of our revenues). The following answer is about Hitachi Group in general.**

Documents

1. Please share links to any policy statements, reports, or other documents that you would like to be taken into account in a review of your company's approach to managing forced labor risks in the supply chain.

a) Hitachi Group Codes of Conduct

1.3 Procurement Activities

<http://www.hitachi.com/corporate/about/conduct/index.html#aid8013459>

4.4 Respect of Basic Rights at Work

<http://www.hitachi.com/corporate/about/conduct/index.html#ank8013474>

b) Hitachi Group Human Rights Policy

http://www.hitachi.com/csr/renew/pdf/human_rights_policy.pdf

c) Guidelines for Procurement Activities

http://www.hitachi.com/procurement/policy/_icsFiles/afiedfile/2010/08/30/guidelines.pdf

d) Hitachi Group Supply-Chain CSR Deployment Guidebook

http://www.hitachi.co.jp/procurement/csr/_icsFiles/afiedfile/2013/08/30/HSC_CSR_GB_E.pdf

e) Hitachi Group Sustainability Report 2015

Supply Chain Management

http://www.hitachi.com/csr/download/pdf/csr2015e_118-123.pdf

Commitment and governance

Awareness and commitment

2. Has your company made a formal commitment (e.g. adopted a policy) to address human trafficking and forced labor? Please include a link to the commitment.

a) Hitachi Group Codes of Conduct

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

Especially “1.3 Procurement Activities” and “4.4 Respect of Basic Rights at Work”

b) Guidelines for Procurement Activities

http://www.hitachi.com/procurement/policy/_icsFiles/afiedfile/2010/08/30/guidelines.pdf

c) Hitachi Group Human Rights Policy

http://www.hitachi.com/csr/renew/pdf/human_rights_policy.pdf

Supply chain standards

3. Does your company have a supply chain standard that requires suppliers to uphold workers' fundamental rights and freedoms, including the elimination of forced labor? Please include a link to the standard, and provide information on how frequently the standard is updated.

Although we don't call it as a supply chain standard, we have a guidebook distributed among suppliers and it mentions that suppliers are requested to employ all employees on a voluntary basis, and not to commit forced labor. We plan to review it this year.

http://www.hitachi.co.jp/procurement/csr/_icsFiles/afiedfile/2013/08/30/HSC_CSR_GB_E.pdf

Note on EICC membership: Many ICT companies are members of the Electronics Industry Citizenship Coalition, EICC. If your company is a member and provides a link from its own website to the latest version of the EICC Code (i.e. version 5.1 effective January 1, 2016), then that code will be considered by KnowTheChain in reviewing the company's supply chain standards.

Management

4. Who within your company is responsible for the implementation of your company's supply chain policies and standards relevant to human trafficking and forced labor? Please indicate the committee, team or officer, and describe their scope of responsibility.

CPO and General Manager, Value Chain Integration Division. The officer and the division are in charge of group-wide procurement policy and management.

Training

5. Does your company conduct training programs for internal decision-makers and suppliers on risks, policies and standards related to human trafficking and forced labor? Please describe.

We conduct human rights training programs annually, but especially on global business and human rights issues including forced labor, we are providing following trainings:

Training for executive officers including CEO on business and human rights every year

E-learning on business and human rights to the management and employees every 3 years. For suppliers, we started to organize a seminar in China from FY2015.

In addition, in regional basis inside or outside of Japan as well as in group companies, we conduct trainings or include this issue as a part of agenda of internal managers or senior management's meetings to raise their awareness. For example, in January 2016, we hold HRDD training for legal and compliance officers in Europe. The training was led with a support of human rights lawyers. The training provided a brief background to the international trend on business and human rights including UNGP and UK Modern Slavery Act, Hitachi's activities on the subject, and case studies.

Stakeholder engagement

6. In the last three years, has your company engaged a) with local stakeholders such as NGOs, trade unions or policy makers or b) in multi-stakeholder initiatives on human trafficking and forced labor, especially as it relates to the supply chain? Please describe with whom your company has engaged, the purpose of the engagement, and your company's role.

We've been working with Shift through their Business Learning Program (BLP) since 2012.

<http://www.shiftproject.org/program/business-learning>

We also have started HRDD process on group-wide procurement activities with the help of Shift. During the process, through or with the support of Shift, we had contacts with expert NGOs and had feedbacks on our prioritization of human rights risks. We started HRDD at the global level, and we are now focusing

further enhanced due diligence at the regional level, with concrete plans to continue engagement with local stakeholders around key issues facing workers in high-priority regions of our supply chain.

We participate in multi-stakeholder initiatives and fora led by European Commission as a chair of CSR committee of JBCE.

We are member of UNGC UK Modern Slavery Working Group.

We participate in working group of Keidanren on ISO20400.

Traceability and risk assessment

Traceability and risk assessment

7. Please describe your company's supply chain tracing and risk assessment processes. Include any specific examples of when your company has conducted forced labor risk or impact assessments focused on a particular commodity, region or group.

To monitor how well Hitachi's CSR supply chain management philosophy has been adopted by our suppliers, since fiscal 2007 we have asked key suppliers in Asian countries that we think as high risk area to conduct CSR Monitoring (self-checks) using the JEITA Supply Chain CSR Deployment Guidebook and detailed checklists that includes questions about forced labor. We collect and analyze the results and take any necessary remedial action.

Since July 2012, we have been auditing suppliers in China and Southeast Asia from among the suppliers providing CSR Monitoring results. Since 2014, we have conducted audit focused on China that we think as one of the highest countries and asked suppliers audited to submit improvement action plans and will be working with and advising them until they complete the planned improvements.

From 2015, we have started HRDD process on our procurement activities and selected regions and risks to prioritize at group wide level. As a result, we identified risks related to migrant workers, including forced labor, as a top priority risk in our supply chain, and we plan to take the measures such as revising CSR Deployment Guidebook and self-check list, revising audit protocol, engaging expert NGOs.

Transparency

8. Does your company disclose a) identified forced labor risks b) the names and locations of first-tier suppliers, and c) some information on suppliers beyond the first tier? If yes, please provide a URL.

No, but we disclose the summarized result of audit in our Sustainability Report 2015 (p123).

http://www.hitachi.com/csr/download/pdf/csr2015e_118-123.pdf

Purchasing practices

Purchasing practices

9. Does your company make an effort to avoid purchasing practices that increase the risk of human trafficking and forced labor in the supply chain (e.g. short-term contracts, excessive downward pressure on pricing, sudden changes of workload?) Please elaborate.

1. We set standards that all Hitachi executives and employees should adhere to the HITACHI Company Conduct Standards including the relationship with suppliers and forced labor.
2. Appointed managers in charge of CSR and green procurement in the head office as well as internal business units and group companies; they hold a group wide meeting periodically on CSR and green procurement and share the results of suppliers audit, and ask managers of business units and group companies to guide suppliers.
3. We have started HRDD process on our procurement activities. More specific measures, starting from the revision of Supply Chain CSR Deployment Guidebook will be taken step by step. The HRDD process identified short-term contract as a higher-risk area of business activity, and we plan to prioritize these types of relationships for enhanced HRDD going forward.

Supplier selection

10. Does your company assess risks of forced labor at potential suppliers prior to entering into contracts with them? Please describe.

Not yet, but since we have started HRDD process, how we can assess the risks on human rights at potential and existing suppliers and how we can mitigate the risks are currently under review and planning.

11. How does your company take into consideration the capacity of suppliers to meet fluctuating demands?

Before starting the business relationship with suppliers, we check various aspects of the suppliers including size of the company, their past experience with other customers. After starting to buy from them, we try to establish good human relationships with them as a partner and exchange information including short and mid term demands so that we can avoid as much as possible asking them sudden change of the quantity or delivery date which exceeds supplier's capacity to adapt.

Integration into supplier contracts

12. Does your company integrate its supply chain standards addressing forced labor and human trafficking into supplier contracts?

No, we haven't done yet. It is one of the options to consider, but our basic attitude on the relationship with suppliers is to take engagement approach—to work together and to improve together.

Cascading standards

13. Does your company have a process to cascade standards on forced labor down the supply chain (e.g. requiring first-tier suppliers to ensure that their own suppliers implement standards that are in line with the company's standards)? Please describe.

We haven't done yet.

Recruitment

Recruitment approach

14. Please describe your company's recruitment approach, including whether your company requires recruitment agencies in its supply chain to uphold workers' rights, whether it has a policy on direct employment, and whether it requires suppliers to disclose to the company the recruiters that they use.

For our direct employment, we have a policy in our Code of Conduct (4.4).

<http://www.hitachi.com/corporate/about/conduct/index.html#aid8013477>

For recruitment agencies, we demonstrate our Guidelines for Procurement Activities that include upholding workers' rights.

Recruitment fees

15. Please describe your company's approach to recruitment fees, including whether your company requires that no fees be charged during recruitment processes, and whether and how it ensures that fees paid are reimbursed.

We haven't taken specific approach for this issue yet and we expect it will be one of the issues to be studied in our HRDD process.

Recruitment audits:

16. Does your company audit recruiters to assess risks of forced labor and human trafficking?

No, not yet.

Worker voice

Communication of policies to workers

17. Please describe how your company communicates its human trafficking and forced labor related policies and standards to workers in its supply chain.

We haven't taken specific measures because we believe we need to start the engagement and capacity building of the management or manager-level personnel of the suppliers first.

Worker voice

18. Please describe how your company engages with workers outside of the context of the factories in which the work (whether directly or in partnership with stakeholders).

For our direct employment, we engage in collective bargaining and consult with trade unions about working condition, wage, welfare, and so on. We also seek the view of employees by setting an "opinion box" at our factories.

Worker empowerment

19. Please elaborate on whether and how your company encourages its suppliers to ensure workplace environments where workers are able to organize, including through alternative forms of organizing where there are regulatory constraints on freedom of association.

No we haven't taken the action.

Grievance mechanism

20. Please describe your company's grievance mechanism, including whether it is available to suppliers' workers, and how it is communicated to suppliers' workers.

We have instituted a group-wide whistleblowing system to prevent illegal and unethical behavior, to promptly address infractions, and to enhance our ability to self-regulate. In this system, reports go directly to the compliance department at Hitachi or to an outside attorney. This system can be used not only by Hitachi employees but also by former employees, temporary staff, and suppliers.

Monitoring

Auditing process

21. Please describe your companies auditing process including whether the process includes a) scheduled and non-scheduled visits, b) a review of relevant documents, and c) interviews with workers.

We have been auditing our suppliers mainly in China with 3rd party auditors. This audit consists of scheduled visits with a review of relevant documents, interviews with management and workers.

Audit disclosure

22. Does your company disclose a) the percentage of suppliers audited annually b) the percentage of unannounced audits c) information on who carried out the audits, and d) a summary of findings, including details of any violations revealed? Please provide a URL.

We are disclosing the information on the audit in our Sustainability Report:

http://www.hitachi.com/csr/download/pdf/csr2015e_118-123.pdf

Remedy

Corrective action plans

23. Does your company have a process for creating corrective action plans? Please describe this process and the elements of a corrective action plan.

For the infringements or points to improve found during the supplier audit, procurement of HQs ask the supplier to submit improvement action plans. After we receive the plans, each business unit that is orderer will check whether the supplier is working with and guide them until they complete the planned improvements.

Remedy

24. Does your company have a process to provide remedy to workers in its supply chain, including for responding to instances of forced labor and human trafficking? If yes, please provide examples of outcomes of this program.

We don't have process to provide remedy specifically for workers of the supply chain in addition to those explained in Q23. For reports made through whistleblowing system, we make every effort to appropriately deal with situations, including taking remedial action where necessary.