

Modern Slavery Act Transparency Statement

Hitachi Europe Limited

Modern Slavery Act 2015 Statement for the year ending 31 March 2019

Hitachi Europe recognises the importance of identifying and preventing modern slavery and its causes in our business and supply chain. This statement, our fourth made pursuant to Section 54(1) of the Modern Slavery Act 2015, sets out the steps we have taken to prevent modern slavery and human trafficking in our business and supply chain in the year ending 31 March 2019, as well as our plans for the current year. It covers Hitachi Europe Limited only. For other Hitachi Group company statements please see the relevant company website or visit www.hitachi.eu/en-gb/modern-slavery-act.

Our Business

Hitachi Europe is part of the Hitachi Group and is a wholly-owned subsidiary of Hitachi, Ltd. in Japan. Our business in the UK is headquartered in Maidenhead, with significant presences in London and Cambridge. We also have branch offices in Istanbul (Turkey), Warsaw (Poland), Johannesburg (South Africa) and Copenhagen (Denmark), and a representative office in Bucharest (Romania), which are involved in sales and/or business development.

Operations

Our Maidenhead office operates as the European corporate centre for Hitachi, Ltd. providing support and services to Hitachi's European Group companies and, along with our other UK based locations, also houses a number of diverse businesses, which are organised in operational business groups supplying a variety of products and services under the Hitachi brand. These include:

- The Digital Media Group – sources and sells LED TVs, projectors, flat screen panels, sound bars, digital receivers, security solutions and accessories. Consumer products are available in the UK via retailers such as Argos;
- The Security Business Group – focusses on digital security solutions and finger vein technology, a secure, simple and safe way for banks to identify their customers by reading their unique vein pattern;
- The Power Device Division – provides advanced high reliability semiconductors – including insulated gate bipolar transistors, integrated circuits and diodes – to industrial, rail, automotive and consumer markets. These components deliver high power efficiency for precise electric power control, in applications ranging from motors to grid level power transmission;
- The Particle Beam Therapy Group – provides systems to deliver proton therapy, one of the most advanced forms of cancer therapy available, offering treatment with pinpoint accuracy and minimal side effects; and
- The Digital Solutions Group – offers digital solutions, combining Hitachi's extensive operational technology and advanced IT capability to meet client needs in areas including connected communities, energy management and electric mobility.

We also provide corporate and administrative services to other Hitachi Group companies. Our UK business, and its overseas branch and representative offices, employs approximately 330 people. In the 2018 financial year, Hitachi Europe had a turnover of approximately £148 million.

Our Supply Chain

We have approximately 50 active trade suppliers (of which 14 are Hitachi Group companies) that supply either complete products or components of our products. Half of these are based in the UK or Japan. One fifth of our trade suppliers are based in countries identified as posing a high risk of modern slavery, namely China (including Hong Kong), Greece, Malaysia, Thailand and Turkey. The others are based in other lower risk European countries, Australia, Singapore and the US.

We have approximately 1260 further suppliers which are categorised as non-trade. They supply everything used for our operations that is not a product or product component. Over 70% of these suppliers are located in the UK and Japan, while less than 4% are based in higher risk countries including China, Egypt, India, Oman, Qatar, Romania, Russia, Saudi Arabia and Turkey.

Our Approach

We are committed to conducting business ethically and to minimising the risk of slavery or human trafficking in our own business and in our supply chains.

Our commitment and work is strongly supported by Hitachi, Ltd. whose President and CEO, Toshiaki Higashihara, recently signed the World Business Council for Sustainable Development's [CEO Guide to Human Rights](#) calling for CEOs to go beyond compliance to drive transformative change in corporate respect for human rights.

In line with Hitachi's global human rights approach to create a value chain where the human rights of all stakeholders are respected, Hitachi Europe seeks to work with suppliers that actively address modern slavery and to work collaboratively with those still developing their processes in this area. We also strive to engage employees and other Hitachi Group companies in understanding why addressing modern slavery is important and how to identify and act on indicators of slavery.

Our four key areas of focus in addressing modern slavery are (1) implementing Human Rights Due Diligence (HRDD), (2) raising awareness and building expertise in Hitachi Europe and across the Hitachi Group in Europe, (3) collaborating with external organisations and stakeholders, and (4) monitoring progress.

Hitachi Europe's HRDD process is in line with that outlined in the UN Guiding Principles on Business and Human Rights. We seek to:

- assess where human rights and modern slavery risks exist, the severity and likelihood of impact, and to prioritise the order in which we will address them;
- integrate and act on the findings of our assessments;
- track progress to ensure our actions are effective; and
- communicate outcomes appropriately to relevant stakeholders.

We acknowledge that we are on a journey and, in common with other companies, face challenges which include engaging suppliers where we have low leverage and fully understanding the sub-tiers of our supply chain. This is why we collaborate with external stakeholders and experts to overcome such challenges and ensure that our work is robust and effective.

Our Policies

We continue to apply our company and Group policies which address issues relevant to slavery and human trafficking:

- The Hitachi Group Codes of Conduct ([LINK](#)) refer to respecting human rights, in particular hiring employees according to international standards and not engaging in child or forced labour.
- The Hitachi Group Human Rights Policy ([LINK](#)) sets out Hitachi's commitment to undertake Human Rights Due Diligence in accordance with the UN Guiding Principles to identify and address human rights issues, including those related to modern slavery.
- The Hitachi Group CSR Procurement Guideline ([LINK](#)) is shared with suppliers and specifically calls for freely chosen employment, appropriate working ages, working hours, wages and benefits as well as humane treatment, non-discrimination and freedom of association.
- Our written employment practices and procedures ensure fair recruitment and treatment of employees.
- A written whistleblowing procedure encourages employees to report concerns of malpractice, which would include any concerns related to modern slavery and human trafficking issues.

Our Progress to Date

Over the last year, we have:

1. Implemented Human Rights Due Diligence
 - We performed a high-level risk analysis of our suppliers based on their operating sector and country location. Our initial focus was on manufacturing or electronics suppliers as the risks associated with these sectors are deemed to be higher in relation to other sectors. Country risk was determined analysing information from the International Trade Union Confederation (ITUC) Global Rights Index 2018 and the Global Slavery Index, and also ILO data and World Bank Governance Indicators. We have identified approximately 20 high risk suppliers based in China (including Hong Kong), Greece, Malaysia, Oman, Russia, Thailand, Turkey and UAE.
 - We communicated with Hitachi Europe's UK based service providers and received documentation from 100% of key security, cleaning and catering contractors detailing their modern slavery related policies.
2. Raised awareness and built expertise
 - Our Sustainability Team presented to procurement and compliance colleagues from companies across the Hitachi Group on modern slavery in the supply chain at the annual Hitachi Group European Procurement Meeting and the Hitachi Group European Compliance Conference.
 - We established a cross-group European Responsible Supply Chain Working Group co-led by our Sustainability and Value Chain Integration teams. All Hitachi Group companies in Europe are invited to join this collective learning group which aims to support Group companies in strengthening their consideration of social impacts within their supply chains, and specifically to:
 1. increase the understanding of Hitachi's approach as set out in the Hitachi Group's Human Rights Policy and with reference to drivers for implementing the UN Guiding Principles, such as the regulatory environment in Europe in relation to business and human rights including the UK Modern Slavery Act;
 2. build capacity in understanding how salient human rights issues in the supply chain can be assessed and prioritised;
 3. build capacity in managing challenges and identified salient human rights risks proactively;

4. equip group companies with the knowledge, guidance and tools on how to embed human rights due diligence with suppliers; and
 5. provide an information exchange platform among Hitachi companies in Europe to discuss challenges and good practice.
- A request by Hitachi Europe's Managing Director for recipients to complete a modern slavery elearning module was sent to all line managers as they are responsible for approving purchase orders raised by their teams.
3. Collaborated with external organisations and stakeholders
 - We continued to participate in:
 - The UN Global Compact's UK Modern Slavery Working Group (MSWG), taking part in a modern slavery statement peer review exercise with members of the MSWG and feeding learning across Hitachi Group companies. We have benefited from cross-sector learning, including presentations and discussion with the Slavery & Trafficking Risk Template Committee.
 - BSR (Business for Social Responsibility), a global not for profit organisation, participating in their Human Rights Working Group. We took part in peer learning, openly discussing challenges and solutions.
 - Shift's Business Learning Program, benefiting through shared learning on best practice and support from peers and stakeholders.
 - techUK's Sustainable Supply Chain group, providing access to learning from peers in the technology sector on modern slavery.
 - We collaborated with Shift, the business and human rights experts, to input into and guide the direction of the European Responsible Supply Chain Working Group.
 4. Discussed monitoring progress
 - We have started to discuss potential KPIs to monitor progress. Contrasting approaches were proposed: one featuring KPIs within Hitachi Europe's ability to control; and one in which the KPIs would provide more valuable information. There was a recognised lack of capacity for monitoring progress against effective KPIs and recognition that Hitachi Europe is not currently in a position to officially set KPIs but will work towards this by seeking to increase capacity and selecting practically measurable, but useful, indicators.

Case Study: Addressing Excessive Working Hours in China

In 2018, following a SMEETA audit of one of our tier 1 supplier factories in China, issues were raised relating to employee working hours and overtime pay. Following initial correspondence with the supplier, a team from Hitachi Europe visited the factory.

The aim of the visit was threefold: 1) to ensure the factory was prioritising activity to rectify the non-conformances raised in the SMEETA audit; 2) to satisfy Hitachi Europe management that our own standards were being adhered to; and 3) to build stronger relationships with the factory and enable open communication to allow a more transparent approach to reporting.

Following the visit, and as noted in the subsequent re-audit, the factory staff were able to improve their approach to worker hours and we continue to monitor their progress. Additional measures were also implemented to ensure that worker pay, especially for overtime and agency staff, is made on time. The visit has helped build our relationship with staff at the factory and we continue to work closely with them to improve their approach, awareness and understanding of labour issues.

Our Future Plans

Over the coming year and beyond we plan to focus on the following areas:

- Implementing Human Rights Due Diligence
 - Investigate the potential modern slavery impacts related to the identified high-risk suppliers followed by appropriate communication to discuss the issues with a view to developing plans to address identified impacts.
 - Further develop the risk analysis of our suppliers and increase awareness with key suppliers as appropriate.
 - Add questions on modern slavery and human trafficking to the supplier onboarding process with the objective of raising red flags at the outset.
- Raising awareness and building expertise
 - In FY2019 the plans for the Human Rights Working Group for relevant procurement colleagues in Hitachi Group companies in Europe include meetings that feature regulation/legislation updates, news from Hitachi, Ltd. on the overall direction of the Hitachi Group and updates from Group companies. The meetings in financial year 2019 will specifically focus on (1) assessing and prioritising salient human rights issues in the supply chain and (2) managing challenges and identified salient human rights.
 - Increase employees' participation in the modern slavery e-learning by making it mandatory for all employees.
 - Provide more in-depth training for those responsible for relationships with the high-risk suppliers.
- Collaborating with external organisations and stakeholders
 - Continue membership of the UN Global Compact's UK MSWG, BSR's Human Rights Working Group, Shift's BLP and techUK's Sustainable Supply Chain Group.
 - Take part in an additional modern slavery statement peer review organised by techUK.
- Monitoring progress
 - Ongoing assessment of the feasibility of setting effective KPIs to monitor progress.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes Hitachi Europe Limited's slavery and human trafficking statement for the financial year ended 31 March 2019. It has been approved by Hitachi Europe Limited's Board of Directors.

Naotoshi Nishida
Managing Director
Date: 1 August 2019

