

Hitachi Ltd.

Sustainability Strategy Overview
Corporate Social Responsibility Report

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Abstract

A prioritised set of actions is what makes a sustainability or corporate responsibility plan. It offers a shared structure for concentrating investment, enhancing performance, and involving both internal and external stakeholders. There is definitely a strong sustainability segment embedded within Hitachi's long-term objectives. It is evident, through the sustainability roadmap, that there has been a paced presence of green commitments to carry out business operations morally and create a positive impact on society as well as the environment. As part of its CSR activities, Hitachi places a high priority on sustainability, specifically, environmental stewardship, social innovation, and ethical business practices. In addition, it is renowned for its dedication to the Sustainable Development Goals (SDGs) and its efforts to realise them via its many commercial ventures and solutions. This report will present the strategy study in the context of its environmental, social, and governance initiatives and the long-term vision. The corporate social responsibility strategies will be compared against the strategy of creating shared value which will be evaluated based on the extent of economic value provided for both the business and society.

Creating Shared Value

Hitachi demonstrates a strong commitment to creating shared value through its business philosophy and initiatives. The company embraces social innovation as a means to address pressing societal challenges. By harnessing its technological expertise, Hitachi develops innovative solutions that contribute to economic growth and enhance the quality of life. Notably, Hitachi's focus on social infrastructure systems enables the advancement of smart cities, sustainable transportation, and efficient energy management. These initiatives align with the principles of creating shared value by fostering economic progress while promoting environmental sustainability and improved well-being for communities.

Sustainability and environmental initiatives play a pivotal role in Hitachi's approach. The company recognizes the importance of reducing its environmental impact and actively sets targets to achieve this goal. Through measures such as greenhouse gas emissions reduction and resource efficiency promotion, Hitachi addresses environmental challenges and aims to improve its operational efficiency and long-term profitability. By aligning sustainability practices with business objectives, this in turn creates shared value by minimising negative environmental effects while also maximising positive economic outcomes. Collaboration and partnerships are crucial to Hitachi's CSV strategy as the company actively engages with diverse stakeholders, including customers, suppliers, and government entities, to co-create innovative solutions that address societal needs. By pooling collective expertise and resources, Hitachi seeks to leverage collaborations and forge strong partnerships that deliver shared value to all involved. This approach grows an ecosystem whereby different stakeholders contribute their strengths, leading to more comprehensive and impactful solutions that address complex social and environmental challenges.

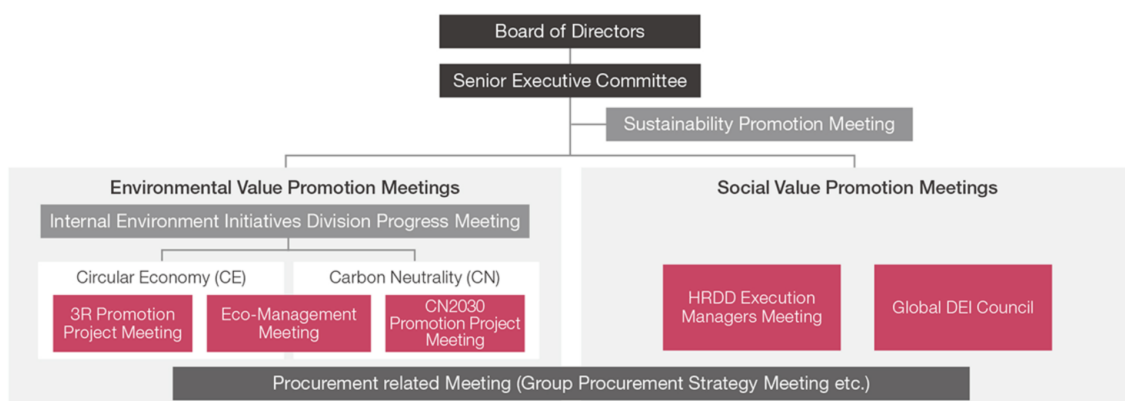
Sustainability Mission

“Hitachi’s Mission is to contribute to society through the development of superior, original technology and products. Through our Mid-term Management Plan we set out the activities needed to realise this mission.” Hitachi’s mission appears to align more closely with CSR (Corporate Social Responsibility) rather than CSV (Creating Shared Value). The mission emphasises the company’s commitment to contributing to society which is separate to innovating technology and product development, as this shows that potentially the profit contributions or programs for the society are allocated indifferent to how their production is committed to helping the society, which makes this the key aspect of CSR. Furthermore, the mention of the Mid-term Management Plan indicates a strategic approach to achieving this mission, further supporting the CSR framework.

Within this plan, there is one notable target that can be attributed to a shared value strategy, which is, “Provide value to customers and society through the enhancement of human capital.” From a CSV perspective, the statement recognises that investing in human capital can lead to benefits for both the business and society. By enhancing human capital, companies can improve employee productivity, innovation, and overall organisational performance, which in turn creates value for customers and society.

Framework for Promoting Sustainability Strategy

The Framework for Promoting Sustainability Strategy provides insights into Hitachi’s approach and structure for implementing its sustainability strategy, showcasing the company’s commitment to integrating sustainability considerations into its business operations and decision-making processes. There is a CSR approach to some extent, since one part focuses on the environmental value and the other puts importance on social value aside from the company’s core operations. Below are the different segments of the meetings that annually take place. This nevertheless goes to show how the progress can be seen through the outcomes of these meetings.



Stakeholder Dialogue

In fiscal 2021, Hitachi conducted stakeholder dialogues in Japan and Europe to discuss materiality, receiving valuable feedback from a range of stakeholders such as disclosure experts, sustainability leaders, European Commission, NGOs, international organisations, and institutional investors. In Europe, the dialogue was split into a planet session and a people session, where Hitachi presented its initiatives related to the environment, human capital, and human rights, while participants provided suggestions for new perspectives and enhancements. The principal comments from this dialogue included

- Hitachi should indicate the direction society wants Hitachi to move along or the goals that Hitachi itself has.
- When it comes to diversity and inclusion, it would be better to include “equity” and make it “diversity, equity, and inclusion.”
- For the circular economy, the approach shouldn’t just be to reduce materials and waste but also to think about new business models.
- With human rights and decent work, Hitachi should go beyond conventional monitoring, audit, and other compliance approaches to engage with all aspects of supply chains through partnerships with external stakeholders.

The mention of considering new business models in the circular economy highlights the potential for Hitachi to innovate and create new sources of value for both the company and society, which can be linked to the CSV approach. Hitachi claims to continuously engage with diverse stakeholders and strives to enhance sustainable management, which sounds concrete as there is very structured evidence (annual meetings) that supports their statement.

CSR: Social

Hitachi's newly established Innovation Growth Strategy Division aims to develop innovative investment strategies to drive customer growth. This includes promoting digital service businesses and radical innovation while leveraging Hitachi's technology platforms, human capital, and customer network on a global scale. Secondly, to enhance value creation and facilitate worldwide business growth, Hitachi integrated the Global Center for Social Innovation and the Center for Technology Innovation into the Center for Digital Services and the Center for Sustainability. Additionally, the Global Intellectual Property Group was formed to strengthen collaboration with international companies and expand global intellectual property activities, supported by the appointment of a Chief Intellectual Property Officer (CIPO).

Hitachi's social strategy, as exemplified by the establishment of the Innovation Growth Strategy Division, reflects a proactive approach towards fostering customer growth and driving innovation. By formulating investment strategies and promoting the development of digital service businesses and radical innovation, Hitachi aims to meet evolving customer needs and propels its growth worldwide. The integration and reorganisation of the Global Center for Social Innovation and the Center for Technology Innovation into the Center for Digital Services and the Center for Sustainability demonstrates Hitachi's commitment to enhancing value creation through digital transformation and sustainable practices.

While Hitachi's social strategy highlights its intention to drive innovation and promote customer growth, there are potential drawbacks to consider. The emphasis on digital service businesses and radical innovation may introduce risks associated with technological disruptions and market uncertainties. Rapid changes in digital technologies could pose challenges in maintaining competitiveness and effectively addressing customer demands. Moreover, the integration and reorganisation of centres may lead to organisational complexities and coordination issues, potentially impacting operational efficiency and execution. Additionally, expanding global collaboration and intellectual property activities may involve cultural and legal complexities that could hinder seamless implementation and collaboration with external partners. Hitachi should carefully manage these challenges to ensure the successful execution of its social strategy and desired outcomes.

CSR: Corporate Governance

Hitachi, Ltd. adopted its current committee system in 2003 and has established an Audit Committee, Compensation Committee, and Nominating Committee. Independent directors chair these committees and comprise the majority of the members. The company has also created a system that enables sufficient exercise of supervisory functions by separating the execution and supervision of business management.

This structure indicates a focus on ensuring effective oversight and accountability in the company's operations as well as transparency. Through this separation, Hitachi aims to enhance its CSR practices by establishing a framework that allows for robust monitoring and evaluation of its business activities. The involvement of independent directors in these committees further suggests Hitachi's dedication to responsible and ethical decision-making.

CSR: Environment

Environmental Vision

Hitachi will resolve environmental issues and achieve both a higher quality of life and a sustainable society through its Social Innovation Business in collaborative creation with its stakeholders.

The aim of Hitachi's environmental management

Decarbonized Society
Climate Change Mitigation/Adaptation

Resource Efficient Society
Saving and Recycling Resources

Harmonized Society with Nature
Preservation of Ecosystems

Long-term Environmental Targets

Hitachi's resolution looking toward 2050 and 2030

Hitachi Environmental Innovation 2050

For a decarbonized society

Achieve **carbon neutrality** by FY 2050 through the value chain

Reduce CO₂ emissions 50% by FY 2030 (compared to FY 2010)

Achieve **carbon neutrality** by FY 2030 at business sites (factories and offices)

For a resource efficient society

Build a society that uses water and other resources efficiently with customers and society

Efficiency in use of water/resources

FY 2050 **50% improvement** (compared to FY 2010 in Hitachi Group)

For a harmonized society with nature

Impact on natural capital

Minimized

Environmental Action Plan

Set environmental action items and targets every three years in order to achieve the long-term targets

| Efforts to Achieve a Decarbonized Society | | | | |
|---|----------------|----------------|--------------------------|-----------------|
| Reduced CO ₂ Emissions at Business Sites (Factories and Offices) | | | | |
| | FY 2021 target | FY 2021 result | FY 2030 target | FY 2050 target |
| Reduction rate of total CO ₂ emissions (compared to FY 2010) | 20% | 37% | 100% (carbon neutrality) | (Maintain 100%) |

| Efforts to Achieve a Resource Efficient Society | | | | |
|---|----------------|----------------|----------------|----------------|
| Enhanced Efficiency in the Use of Water at Business Sites (Factories and Offices) | | | | |
| | FY 2021 target | FY 2021 result | FY 2030 target | FY 2050 target |
| Reduction rate in water use per unit (compared to FY 2010 Hitachi Group) | 26% | 36% | — | 50% |

| Enhanced Efficiency in the Use of Waste and Valuable Generation at Business Sites (Factories and Offices) | | | | |
|---|----------------|----------------|----------------|----------------|
| | FY 2021 target | FY 2021 result | FY 2030 target | FY 2050 target |
| Reduction rate in waste and valuable generation use per unit (compared to FY 2010 Hitachi Group) | 12% | 18% | — | 50% |

Note: See the referenced pages for details on the figures cited.

Conclusion

In summary, Hitachi's commitment to creating shared value is an ongoing process through its emphasis on social innovation, sustainability and environmental initiatives, collaboration and partnerships, and community engagement. By integrating social and environmental considerations into its business practices, Hitachi strives to achieve long-term sustainable growth while simultaneously addressing societal needs and challenges. Its CSR approach is extremely thorough and recurring with regards to all the sustainability strategies. However, through these efforts, Hitachi demonstrates its dedication to making a positive and meaningful impact on society while trying to create value for both the company and its stakeholders.