Modern Slavery Statement 2022
Hitachi Rail Ltd

Hitachi Rail Ltd (**Hitachi Rail**) has a zero-tolerance approach to modern slavery. We are committed to acting ethically and with integrity in all our business dealings and relationships and minimising the risk of slavery or human trafficking in our business and supply chains. We strive to engage employees to understand why addressing modern slavery and human trafficking is important and how to identify and act on indicators of these issues.

This is Hitachi Rail's sixth statement made pursuant to section 54 of the Modern Slavery Act 2015. This statement sets out the key activities we have undertaken between 1 April 2021 and 31 March 2022 to deliver on our commitments.

Our business

Hitachi Rail is a fully integrated, global provider of rail solutions across rolling stock, signalling, operations, service & maintenance, digital technology and turnkey solutions. Our mission is to contribute to society through the continuous development of superior rail transport solutions. We are proud of our global achievements, from our world famous 'bullet trains', to our signalling solutions and turnkey projects, state-of-the-art traffic management and digital solutions. Drawing on the wider Hitachi Group's market-leading technology and research-and-development capabilities, we strive for industry leading innovations and solutions that can deliver value for customers and sustainable railway systems that benefit wider society. Hitachi Rail is a wholly owned subsidiary of Hitachi Ltd, headquartered in Tokyo, Japan.

Snapshot from the last 12 months

- Engaged a Chief Compliance Officer and strengthened the resource and expertise of our compliance function.
- Published internal policies in respect of Social Accountability and Human Rights.
- Continued to ensure that all our employees undertake mandatory training regarding the Hitachi Rail Code of Ethics and Compliance, which explains Hitachi Rail's policy on modern slavery and human trafficking.
- Developed Modern Slavery training bespoke to our business and started to roll this out to all employees.
- Completed a second independent social audit of a supplier in China that provides materials to a subsidiary of Hitachi Rail.
- Continued our engagement with key stakeholders regarding modern slavery and human trafficking including Responsible Sourcing, Worst Forms of Child Labour, Business & Human Rights Working Groups and the Global Child Forum.
- Mobilised EcoVadis across our supply chain, which allows Hitachi Rail to benchmark and risk score suppliers against a range of sustainability and human rights criteria.

Our staff

Our operations in the UK include a rolling stock manufacturing facility at Newton Aycliffe, County Durham. Our fleets are maintained and serviced at a number of train maintenance centres located around the UK, including those based in Doncaster, Bristol, London and Edinburgh. We employ 2702 direct employees, of which 33 are part-time. This includes 2527 permanent roles and 168 fixed term roles. We employ an additional 439 contractors and 7 expat staff. We ensure that all employees are able to demonstrate their eligibility to work in the UK and require all contractors and agency staff to undertake the same before starting work with Hitachi Rail.

Our supply chain

Our supply chain comprises other Hitachi Group companies as well as external third party suppliers. During 2021, Hitachi Rail had a direct relationship with:

- 13 Tier 1 companies within the Hitachi Group operating across five high income countries, being Japan, Italy, United Kingdom, Switzerland and Germany.
- 1084 Tier 1 external suppliers across 16 high-income countries - approximately 88% of these suppliers are based within the United Kingdom. However, Hitachi Rail also has a direct relationship with Tier 1 suppliers that either operate or have manufacturing operations within the following countries: Australia, Austria, Belgium, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, Spain, Sweden, Switzerland, the United Arab Emirates and the United States.
- two Tier 1 direct relationships with external suppliers operating in India, classified as a lower-middle income country and also China, classified as an upper-middle income country.

Our codes and policies

Hitachi Rail's commitment to prevent modern slavery or human trafficking in our business and supply chains is underpinned by appropriate policies that are regularly reviewed and updated to reflect our evolving business.

The **Hitachi Rail Group Code of Ethics (2020)** applies to all members of our governance and control bodies, executives, employees and supply chain. The Code of Ethics reflects our commitment to, amongst other things, protecting human rights and preventing modern slavery, child labour and the exploitation of workers.

Hitachi Rail requires our suppliers comply with the **Hitachi Rail Supplier Code of Conduct (2021)**, in which we expressly preclude the use of forced, bonded, indentured, involuntary or exploitative labour, slavery and human trafficking. The Supplier Code of Conduct was developed to reflect the 10 Principles of the United Nations Global Compact.

Since our last statement, Hitachi Rail also recently introduced internal policies for **Social Accountability (2022)** and **Human Rights (2022)**. Our Social Accountability Policy reiterates Hitachi Rail's commitment to the highest standards of ethics and sustainable development by respecting and implementing the principles of Standard SA8000 (Social Accountability) for human rights and workers' rights. The Human Rights Policy reflects our commitment to comply with the Universal Declaration of Human Rights when conducting business.

Hitachi Rail supplements the above with the following relevant internal policies and manuals that are subject to continuous review and improvement:

- Environmental Policy (2022)
- Quality Policy (2022)
- Product Safety Policy (2022)
- Health and Safety Policy (2022)
- Security Policy (2022)
- Whistleblowing Policy (2022)
- Enterprise Risk Management Framework (2021)
- Other written employment practices and procedures that ensure fair recruitment and treatment of employees.

Hitachi Rail continues to makes our policies available to all workers and internal parties through publication on our internal document management system. We regularly review and update our policies.

Due diligence for modern slavery and human trafficking

Hitachi Rail has identified the following materials and services procured by our business over the last 12 months as giving rise to the highest risk of modern slavery and human trafficking:

- employment placement agencies
- building completion and finishing
- construction of buildings and other civil engineering projects
- floor and wall covering
- manufacture of wire products, chain and springs
- information technology and computer service activities
- software publishing
- private security activities
- security and investigation activities.

Hitachi Rail identifies, assesses, controls and monitors the risk of modern slavery and human trafficking in these industries, and our supply chain more generally, through our supplier due diligence. Core activities include:

- **Supplier mapping:** Mapping Tier 1 supply chain and business relationships to measure and identify areas where there is potential or indirect risk for modern slavery using published data from sources such as Transparency International's Corruption Index, The Global Slavery Index, ITUC Global Rights Index, International Labour Organisation (ILO), and Trafficking in Persons Report, Freedom House and various World Bank World Governance Indicators that specifically focus on Corruption, Government Effectiveness and Rule of Law Indicators.

- **Hitachi Rail Assessment & Screening:** Initial desktop assessment of all suppliers for Know Your Customer, anti-money laundering, anti-bribery and corruption, adverse media, sanctions, watchlists and politically exposed persons. Prospective suppliers are required to agree to adhere to the Supplier Code of Conduct and complete the Hitachi Rail screening questionnaire that includes information to understand the supplier's compliance with regulatory requirements and best practices. This screening is repeated on a periodic basis.

- **CSR & Sustainability Risk Assessment:** In December 2021, we launched an internal programme to enhance visibility of supply chain risks in the corporate social responsibility (CSR) and sustainability space, partnering with EcoVadis, a global leader in business sustainability ratings. We have uploaded and risk-assessed our supply base using the EcoVadis IQ platform which has enabled us to create a CSR & Sustainability risk profile for our suppliers against 4 key criteria: Environment, Labour & Human Rights, Ethics and Sustainable Procurement. The risk assessment captured well over 90% of our total annual 3rd party spend and provides critical insights on the inherent risk profile of our suppliers in terms of the industries they work in and the countries in which they operate. We have also actively invited suppliers, based on risk and supplier materiality, to register in the EcoVadis ratings platform, providing more detailed visibility of their CSR and sustainability performance. We now have ~500 tier 1 suppliers registered in EcoVadis ratings and have launched targeted invitations to an additional ~2,000 suppliers in July 2022. We will continue to engage with suppliers and promote the EcoVadis tool over the coming years.

- **Site Visits and Audits:** We organise and undertake supplier visits and audits for quality & assurance and health & safety in accordance with Hitachi Rail internal policies and procedures. We also organise social audits of suppliers that have been identified as giving rise to human rights concerns, including modern slavery.

    - In our Modern Slavery Statement for 2021 we advised that a human rights issue was raised following the publication of a report by the Australian Strategic Policy

Institute (ASPI). This report focuses on the potential forced enrolment of Uyghur people in the supply chains of major international companies. The report mentions one of Hitachi Rail's suppliers. Following the publication of the ASPI report, we undertook an in-depth review of potential forced labour issues in the supplier referenced, including internal interviews, document reviews and two third party audits.

- The scope of the audits included in-person checks at the supplier's premises in January 2021 and March 2022, reviewing key documentation and interviewing management and front-line workers. Based on the scope and methodology of the review, the documentation and information received from the supplier and external audits organised, no human rights incidents were identified at the plant that supplies Hitachi Rail. Hitachi Rail will continue to monitor this specific case and assess potential human rights issues in its supply-chains generally**.**

- **Audit:** We have a framework in place for all current procurement processes. These are all tested internally and externally through rigorous audits that look at compliance and the application and adherence to processes. Where there is a non-conformity report or recommendation, we build them into the process development.

- **Whistleblowing:** Any violations of laws, policies, regulations or code of ethics can be reported online or by phone through a dedicated 24-7 hotline service called Navex EthicsPoint or through the Legal and Compliance teams. Dedicated email addresses are available as a speak up channel for employees to raise concerns. Hitachi Rail's various speak up channels allow for concerns to be raised anonymously, where permitted by law.

- **Compliance:** We have a dedicated compliance team, led by our Chief Compliance Officer. The compliance team is supported by all functions over the business, but in particular Internal Audit, Legal, Human Resources, Procurement and Sales.

- **Contracts:** Hitachi Rail binds suppliers to comply with all applicable laws, including the Modern Slavery Act 2015, and our Supplier Code of Conduct.

Training

Raising awareness and building expertise is another process used by Hitachi to manage human rights risks. Hitachi Rail ensures that all new employees undertake mandatory annual training on our Code of Ethics and Compliance (translated into 15 languages) within three months of commencement, which includes modules on modern slavery and human trafficking. This training is refreshed annually for all employees. The training explains how to spot and report potential or actual breaches of the Code and details the consequences for failing to comply with the Code.

Since our Modern Slavery Statement for 2021, we have developed bespoke Modern Slavery e-learning that helps employees identify potential instances of Modern Slavery in our business and supply chain, and explains our procedures for preventing and reporting the same. This training is being deployed to all employees from October 2022 to coincide with Ethics Month.

We actively work with our procurement teams and management to identify gaps in individual and role training as part of the wider due diligence activities and responsible sourcing programme.

Effectiveness and further steps

We continue to monitor the effectiveness of our processes to ensure that we source responsibly, trade ethically and prevent human trafficking within our business and supply chain. This section outlines key performance indicators (KPIs) to help measure progress against our goals.

KPIs

Goal	Status
Ensure all new staff have completed Code of Ethics training within 3 months of new employee start date	Achieved
Deliver bespoke Modern Slavery training to all office workers	On track
Deliver bespoke Modern Slavery training to all other employees	On track
Invite all high risk / high materiality suppliers to register in EcoVadis	Achieved
Invite second wave of suppliers to register in EcoVadis	Achieved
Continued deployment of EcoVadis to identify and remediate modern slavery risks	On track
Ensure anti-slavery clauses are embedded into all high-risk contracts and deploy updated Supplier Code of Conduct	Achieved
Begin mapping tier 1 suppliers for high risk supply chains	On track
Ensure that every identified instance of modern slavery and labour exploitation is addressed	Achieved

This statement was approved by the Hitachi Rail Ltd Board of Directors on 30 September 2022.



Signed by Andy Barr
CEO
30 September 2022