Modern Slavery Statement 2023 - Hitachi Rail

Hitachi Rail Ltd (**Hitachi Rail**) is the holding company of the Hitachi Railway Systems Business Unit of Hitachi, Ltd. Hitachi Rail is committed to supporting and respecting human rights, including the abolition of modern slavery and all forms of forced or compulsory labour, wherever it does business.

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 engage with our workforce to help them understand what modern slavery is, how to recognise it, and how to act on risk indicators of these issues.

This is Hitachi Rail's seventh statement made pursuant to section 54 of the Modern Slavery Act 2015. This statement sets out the key activities we have undertaken since 1 April 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.

Snapshot from the last 12 months

- Further strengthened the expertise and resourcing of our compliance function under the supervision of the Chief Compliance Officer, including the appointment of dedicated senior compliance managers for anti-bribery and anti-corruption, compliance operations, whistleblowing and investigations.
- Adopted the Hitachi Group Code of Ethics and Business Conduct (2023) (**Code of Ethics**), which replaces the previous Hitachi Rail Code of Ethics (2020). The new Code of Ethics further emphasises Hitachi Rail's commitment to the abolition of slavery and all forms of forced or compulsory labour and details our commitment to caring for our communities.
- Continued to ensure that our global workforce undertakes mandatory training regarding the Code of Ethics.
- Translated our Supplier Code of Conduct into the Italian language and updated relevant buying documents.
- Deployed our first tranche of bespoke Modern Slavery training to our global workforce.
- Deployed training between November 2022 and January 2023 to our internal buyers and category managers regarding the registration with and use of EcoVadis, which is a tool that allows Hitachi Rail to benchmark and risk score suppliers against a range of sustainability and human rights criteria. Approximately 57% of our buying community attended such training.
- Invited over 1600 suppliers to attend engagement sessions where suppliers were provided with an overview of our expectations for supplier behaviours and encouraged the use of EcoVadis.
- Launched an online platform in February 2023 called Jaggaer for supplier onboarding, which includes a risk model for compliance due diligence checks whereby country and industry human rights risks, including labour-related scores from EcoVadis, are assessed. Jaggaer is integrated with our invoicing and payment systems and includes documented acceptance by our suppliers of our Supplier Code of Conduct as part of the onboarding process.

- 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.
- Drafted and commenced internal stakeholder engagement regarding a new Hitachi Rail Modern Slavery Policy.

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 2659 direct employees, of which 33 are part-time. This includes 2513 permanent roles and 124 fixed term roles. We employ an additional 581 contractors and 6 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 the reporting period, Hitachi Rail has directly engaged:

- 17 suppliers from within the Hitachi Group from Japan, Italy, United Kingdom, Switzerland, Germany and Vietnam; and
- 1060 external suppliers globally. Approximately 85% of these suppliers are based within the United Kingdom. The balance operates or has a manufacturing footprint in Australia, Austria, Belgium, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, Spain, Sweden, Switzerland, the United States, Czech Republic, Poland and India.

Our codes and policies

Hitachi Rail's commitment to prevent modern slavery and 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 recently updated Code of Ethics applies to all members of our governance and control bodies, executives, workforce and supply chain. The Code of Ethics reflects our commitment to, amongst other things:

- abolition of slavery and all forms of forced or compulsory labour;
- freedom of association;
- equal pay for equal work;
- equality at work;
- just and favourable remuneration;
- non-discrimination; and
- protection for the organisation of and participation in collective bargaining.

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

Since our last statement, Hitachi Rail has also:

- updated our **Whistleblowing & Speak-Up Policy** (2023) that promotes a "speak-up" culture whereby anyone can report, in good faith, actual or suspected violations or breaches of laws, regulations, our Code of Ethics, or our policies and emphasises that Hitachi does not tolerate retaliation against whistleblowers;

- published an internal **Compliance Programme Manual** (2023) that describes how we prevent, detect and respond to compliance risks and misconduct, and promote a culture of ethical conduct; and

- drafted and commenced stakeholder engagement regarding the publication of a **Modern Slavery Policy** that sets out our expectations for the conduct of workforce and contractors to help eliminate slavery and all forms of forced or compulsory labour. We aim to ensure this Policy is published before the end of this reporting period.

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

- **Human Rights Policy** (2022) that reflects our commitment to comply with the Universal Declaration of Human Rights when conducting business;

- **Environmental Policy** (2022), **Quality Policy** (2022), **Product Safety Policy** (2022) and **Health and Safety Policy** (2022) that set our commitment to provide safe, effective, quality and fit for purpose systems, products and services to customers, in compliance with good practice, applicable international and national standards and all legal obligations;

- **Social Accountability Manual** (2022) that 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;

- **Corporate Social Responsibility Governance Manual** (2022) that sets out our strategic objectives in relation to Corporate Social Responsibility (**CSR**) and identifies the roles and responsibilities of our Social Performance Team and CSR & Sustainability Committee in supporting the application of the United Nations Global Compact to our business;

- **Integrated Risk Management Framework Manual** (2021) that describes our integrated risk management (**IRM**) framework, which provides assurance on IRM activities through the organisation, both at enterprise and project level;

- Other written employment practices and procedures that ensure fair recruitment and treatment of our workforce.

Hitachi Rail continues to make our policies available to our workforce 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 during the reporting period as giving rise to the highest risk of modern slavery and human trafficking:

- manufacturing;
- construction;
- transportation and storage; and
- water supply - sewerage, waste management and remediation 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 direct 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, 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. As noted above, this process has been automated and harmonised under the online platform, Jaggaer, since the last reporting period.

- **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 was updated in 2022 and now represents 95% of our total annual third party spend, being approximately 6,800 suppliers (up from approximately 50% in the last reporting period) 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 approximately 759 direct suppliers registered with EcoVadis ratings (up from approximately 500 direct suppliers in the last reporting period) and continue to engage with suppliers and promote the EcoVadis tool. Through the EcoVadis tool, registered suppliers have access to the EcoVadis Academy training which includes e-learning courses on Child Labour, Forced Labour & Human Trafficking topics.

- **Site Visits and External 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 first 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, Hitachi Rail undertook an in-depth review of potential forced labour issues in the supplier referenced, including internal interviews, document reviews and three third party audits.

    - The scope of the audits included in-person checks at the supplier's premises in January 2021, March 2022 and July 2023, 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 instances of forced or compulsory labour were identified at the plants that supply Hitachi Rail. Hitachi Rail will continue to monitor this specific case and assess potential human rights issues in its supply-chains generally**.**

- **Internal 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 & Speak-Up:** Hitachi Rail provides various speak-up channels for any person, internal or external to our business, seeking to report a concern regarding actual or

suspected misconduct that may be a violation or breach of any applicable law or regulation, our Code of Ethics, or any of our policies. Our speak-up channels include managers, members of our Human Resources or Legal & Compliance functions, and our dedicated 24-7 Hitachi Global Compliance Hotline, which provides for online or telephonic reporting. Hitachi Rail additionally provides for specific email addresses for supervisory bodies and other eligible recipients as speak-up channels, as required by certain local laws and regulations where we operate. As noted above, Hitachi Rail does not tolerate retaliation against whistleblowers.

- **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, Finance, 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 Rail to manage human rights risks. Hitachi Rail ensures that all new members of our workforce undertake mandatory annual training on our Code of Ethics (translated into 15 languages) within three months of joining. This training is refreshed annually for our whole workforce. The training explains how to spot and report potential or actual breaches of the Code of Ethics, including in relation to human rights, and details the consequences for failing to comply with the Code of Ethics.

Since our last Modern Slavery Statement, we have deployed bespoke Modern Slavery e-learning to our workforce globally that helps them identify potential instances of Modern Slavery in our business and supply chain, and explains our procedures for preventing and reporting the same. Over half of our workforce with access to eLearning have completed the training to date, and we are targeting 100% completion as soon as possible but no later than 31 March 2024.

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 100% of new members of the workforce have completed Code of Ethics training within 3 months of new employee start date	Achieved
Ensure that 100% of existing workforce have undertaken refresher Code of Ethics training annually	Achieved
Ensure 100% of workforce with access to eLearning have completed Modern Slavery training by 31 March 2024	On track
Publish Hitachi Rail Modern Slavery Policy by 31 March 2024	On track
Develop an engagement strategy for suppliers that EcoVadis has identified as having a “high” or “very high” inherent sustainability risk profile to register and complete the sustainability assessment with EcoVadis by 31 March 2024	On track

Make EcoVadis training and refresher training available to 100% of buying community on an ongoing basis	Achieved
Continue to ensure that anti-slavery clauses and compliance with the Supplier Code of Conduct are embedded into all high-risk contracts	Achieved
Screen suppliers through EcoVadis and the International Trade Union Confederation, including in respect of child labour, forced labour, human trafficking and workers rights	Achieved
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 **11 September 2023**.



Giuseppe Marino

Group CEO