

Hitachi Rail

Canadian Forced Labour Reporting FY23



Canadian Statement Against Forced Labour and Child Labour in Supply Chains pursuant to an Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff, referred to as Canada's "*Modern Slavery Act*" (the "**Act**") for the year ending December 31, 2023

1. Introduction:

Hitachi Rail Ltd ("Hitachi Rail") is the holding company of the Hitachi Railway Systems Business Unit of Hitachi, Ltd. Hitachi Rail STS Canada, Inc. ("Hitachi Rail STS Canada") is a third -tier, wholly –owned subsidiary of this company.

Hitachi Rail is committed to supporting and respecting human rights, including the abolition of both forced and child 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 both forced labour and child labour in our business and supply chains. We engage with our workforce to help them understand what forced labour and child labour are, how to recognise it, and how to act on risk indicators of these issues.

2. Structure, Activities, And Supply Chains:

Structure:

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 improving mobility throughout the USA and Canada, providing passengers, customers, and communities with the benefits of seamless, sustainable journeys.

Hitachi Rail STS Canada's registered address is 66 Wellington Street West, Suite 5300, Toronto, Ontario, Canada M5K 1E6.

With around 14,000 employees in 38 countries, Hitachi Rail is growing and looking to recruit diverse talent.

Hitachi Rail reflects the diversity of the people and places it serves, as a global business with a multicultural heritage. Hitachi Rail is growing in Canada with steady recruitment planned for the Canadian market as demand for transit increases.

During the reporting period, Hitachi Rail STS Canada employed 153 people. This includes 152 permanent roles, and one fixed term role. In addition, we have three agency staff, and 12 secondees.

We ensure that all employees are able to demonstrate their eligibility to work in the country in which they are based and require all contractors and agency staff to undertake the same before starting work with Hitachi Rail.

Activities:

Hitachi Rail is based in 12 locations in North America. In the US, our locations include Pittsburgh, Washington DC, and Honolulu. Currently, we are building a new railcar factory in Washington County, Maryland. In Canada, we are based in Ontario with offices in Toronto and Mississauga. Further afield, we have a presence in 38 countries, across 11 manufacturing sites on three continents.

Our North American business includes the development and operation of new railways, train building, implementing new digital signalling systems and delivering solutions for transportation programs.

In Canada, Hitachi Rail STS Canada is delivering the new Ontario Line trains, systems, and will operate and maintain the line for a 30-year term, as the leader of the Connect 6ix consortium. Alongside this major \$9 billion CAD contract, Hitachi Rail is also delivering another major Canadian Infrastructure project, the Hurontario LRT.

Hitachi Rail's Ontario Line trains will be powered entirely by electricity, reducing congestion, and helping protect the environment by removing up to 10.2 million cars from the city's roads annually once operational.

The planned acquisition of Thales Ground Transportation Systems ("GTS") will increase innovation, investment, and competition in the rail sector internationally. With around 8,000 employees expected to join Hitachi Rail upon integration of GTS, the company will have greater capability to deliver for customers, develop new technology and get closer than ever to the markets it serves.

Supply Chain:

Our supply chain comprises other Hitachi Group companies as well as external third-party suppliers. During the reporting period, Hitachi Rail STS Canada has directly engaged:

- ◆ Eight suppliers from within the Hitachi Group from Japan, Italy, United Arab Emirates, United States, Taiwan, Spain, France; and
- ◆ 80 external suppliers globally. Approximately 73% of these suppliers are based within Canada. The balance operates or has a manufacturing footprint in Germany, Italy, Singapore, Spain, and the United States.

3. Policies And Due Diligence Processes:

Hitachi Rail's commitment to prevent forced labour and child labour in our business and supply chains is underpinned by appropriate policies that are regularly reviewed and updated to reflect our evolving business.

Hitachi Rail will persist in embedding responsible business conduct into our policies and management systems that align with the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct.

Our internal **Compliance Programme Manual** (2023) describes how we prevent, detect, and respond to compliance risks and misconduct, and promote a culture of ethical conduct. It provides for the architecture, implementation and testing and monitoring of the effectiveness of our Programme. This infrastructure provides for governance and oversight as well as the necessary framework and tools to manage, measure, and improve the Compliance Programme to identify and mitigate potential risks to the Company. Our Compliance Programme is benchmarked periodically against industry and global best practices and aligns to Hitachi Group compliance standards, including the U.S. Department of Justice's requirements for an effective ethics and compliance programme.

The recently updated Code of Ethics and Business Conduct (2023) ("**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. In May 2024, in keeping with a 'One Hitachi' approach, Hitachi Rail launched its **Expectations of Business Partners** (2024) to supersede the Supplier Code of Conduct. It similarly reflects our expectation that business partners respect human rights, abide by international standards, and avoid causing or contributing to negative human rights impacts and comply with applicable laws, rules, and legal requirements for abolishing slavery and all forms of forced or compulsory labour.

Our **Whistleblowing & Speak-Up Policy** (2023) 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 those who report concerns or whistleblowers;

Our **Modern Slavery Policy** (2024) details our commitment to maintaining a culture of integrity and openness in all our business dealings and relationships, including that we take reasonable measures to minimize risks of modern slavery and forced labour in our business, operations, and value and supply chains.

Our **Respectful Workplace Policy** (2024) provides for a respectful, safe, dignified, and supportive environment for our workforce; we embrace our diversity and promote trust and fairness; and we do not tolerate workplace-related discrimination and harassment or workplace violence.

Hitachi Rail supplements the above ethics and compliance documents 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;
- ◆ **Respect in the Workplace, Workplace Harassment and Workplace Violence Policy and Program** (2023) describes Hitachi's responsibility, in co-operation with its employees, to take every reasonable precaution in the circumstances to protect the health and safety of its employees, establish and maintain a respectful work environment, free from violence, harassment and discrimination and comply with all applicable provincial legislative obligations.
- ◆ 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 and intranet. We regularly review and update our policies.

4. Forced Labour And Child Labour Risks:

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 human rights:

- ◆ Activities of employment placement agencies
- ◆ Construction of other civil engineering projects
- ◆ Electrical, plumbing, and other construction installation activities
- ◆ General cleaning of buildings
- ◆ Manufacture of communication equipment
- ◆ Manufacture of electric motors, generators, transformers and electricity distribution and control apparatus
- ◆ Manufacture of general-purpose machinery
- ◆ Manufacture of other chemical products n.e.c.
- ◆ Manufacture of other electrical equipment
- ◆ Manufacture of other transport equipment n.e.c.
- ◆ Manufacture of plastics products
- ◆ Transport via railways
- ◆ Wholesale of other machinery and equipment

Hitachi Rail has also identified the following materials and services procured by our business during the reporting period as giving rise to the highest risk of forced labour, child labour and trafficking:

- ◆ Activities of employment placement agencies

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 human rights due diligence (HRDD) programme.

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. This process has been automated and harmonised under the online platform, Jaggaer.

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%) 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 anticipate 2023 data to be available in June 2024.
- ◆ 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 954 suppliers registered with EcoVadis ratings (up from approximately 759 suppliers in the last reporting period) and continue to engage with suppliers and promote the EcoVadis tool.
- ◆ Of this, we have 5 Canadian suppliers rated with an additional 3 in progress.
- ◆ 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 UK 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.

5. Remediation Measures:

Based on its knowledge, Hitachi Rail processes and tools have not identified any instances of forced labour or child labour in its supply chains. Consequently, no remediation measures were required for the fiscal year ended December 31, 2023, in respect of any modern slavery – including forced labour or child labour – in Hitachi Rail's supply chains.

6. Remediation of Loss of Income:

As noted above, as Hitachi Rail has not identified any instances of forced or child labour in its supply chains, it has not taken any associated measures to remediate loss of income to the most vulnerable families that result from measures taken to eliminate the use of forced or child labour in their supply chains.

7. Training:

Internal 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.

- ◆ For North America, our percentage completion rate for the Code of Ethics & Business Conduct FY2023 is 84.5%

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 global workforce with access to eLearning have completed the training to date, and we have targeted 100% completion.

We have deployed bespoke mandatory Respect in the Workplace training to all our workforce (employees and contractors) locally. This course helps protect the health and safety of our employees. This is provided when an employee is onboarded, it is instructor led and it delivered in person where possible.

- ◆ The rollout is ongoing and 90% of our workforce (including secondments and contractors) have received training.

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.

External Training:

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.

8. Assessing Effectiveness:

We continue to monitor the effectiveness of our human rights due diligence (HRDD) programme and the processes to ensure that we source responsibly, trade ethically and prevent human trafficking within our business and supply chain. Over the next 12 months we plan to establish local Hitachi Rail STS Canada Key Performance Indicators ("KPIs") in alignment to global Hitachi Rail KPI standards to develop, lead, monitor and be accountable for the implementation of various HRDD deliverables whilst continuing to focus on ensuring we have the right processes in place to track effectiveness of our HRDD programme and help measure progress against our goals.

9. Report Approval & Attestation:

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

I am providing this attestation in my capacity as President, Hitachi Rail STS Canada, Inc., with the authority to bind Hitachi Rail STS Canada, Inc.

Signed version filed with relevant government authority

Joseph R. Pozza

President

Hitachi Rail STS Canada, Inc.

31 May, 2024