

HITACHI RAIL

2024 Annual Compliance Report

Activating Integrity

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Publication date and classification:
25 June 2024
 Hitachi Rail – Public

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A MESSAGE FROM THE CHIEF COMPLIANCE OFFICER



I am pleased to present the inaugural Annual Compliance Report, *Activating Integrity*, for Hitachi Rail.

Its release builds upon the foundational work undertaken since mid-2022 to improve and strengthen Hitachi Rail's Compliance Programme by critically reviewing its design, governance, strategy, structure, and resourcing. It reflects the sustained efforts to invest in, nurture, and enhance our culture of compliance and ethical conduct across all levels of our organisation. The value proposition is clear; evidence confirms that a strong programme and culture of ethics and compliance positively correlates to better business performance.

This Report highlights the positive evolution and collective journey of our Programme, showcasing key achievements, progress, and improvements during the reporting period: primarily those from the past fiscal year (1 April 2023 — 30 March 2024), and some additionally in effect at the time of finalisation of this Report.¹

The Report is organised according to thematic Programme areas – be it our inward-facing compliance policies, procedures and controls, or our outward-facing orientation in terms of ensuring we only do business with ethical partners.² It also provides a forward-looking assessment for future focus areas.

At Hitachi Rail, each of us has a role to play in “owning” compliance — making ethical decisions and conducting ourselves with integrity and accountability — I invite you to reflect on the content of this Report and your role in contributing to our collective success as Hitachi Rail.

As Hitachi Rail continues to navigate an ever-changing operating and regulatory environment, the Compliance Programme must remain agile in responding to it. The call to action is that each of us continues to demonstrate integrity in all we do, every day. Our work is never done.

Jaclyn

Jaclyn Jewell
Group Chief Compliance Officer

¹This Report was finalised in May 2024, and may reference some activities covering April-May 2024.

²Business partners are defined as an external companies, entities, organisations, or individuals with whom Hitachi Rail has, or may consider having, a business transaction or relationship.

EXECUTIVE SUMMARY

During the reporting period, the Compliance Programme delivered on continuous improvement.

Key achievements include:

Governance — formalised the architecture, infrastructure, and effectiveness of the Programme with the issuance in July 2023 of the Compliance Programme Manual in our internal Global Business Management System. This provides the framework to prevent, detect, and respond to compliance risks.

Policies and Procedures — issued some 16 compliance policies and procedures between August 2023 and May 2024, standardising ethical conduct requirements for all – setting the same rules for our employees regardless of location or line of business, and activating compliance controls.

Anti-Bribery and Anti-Corruption — articulated requirements in our Policy, including prohibiting bribes, undue influence, facilitation payments and political donations; launched pre-approval controls for business courtesies, donations and sponsorships; and set expectations for business partner screening.



Whistleblowing and Speak-Up — assumed direct case management of our matters in NAVEX in February 2023; issued our Policy in August 2023; oversaw a 77% year-on-year increase in volume; a downward trend in anonymous reporting indicating increased employee trust; and launched awareness and training campaigns.

Due Diligence and Business Partner Management — launched the compliance risk protocol to screen new suppliers in the Procurement platform, Jaggaer; the protocol screens for compliance and reputation; sanctions; corruption, and human rights risks; we screened 639 medium- to high-risk suppliers since February 2023.

Export and Trade Compliance — submitted Italian regulator reports in July and December 2023; converted two legacy paper export licences to digital ones and secured six new licences; registered our Australian entity for after-market reverse logistics export licences; and are reviewing other projects for the same.

Privacy and Personal Data Protection — completed implementation of the global STS governance model for all European jurisdictions, in particular, extending the model to Spain and France; launched a global training package with a 70% completion rate; and processed ~40 data subject access requests.

Compliance Operations & Engagement (training, communications) — digitalised our business courtesies form in March 2024; progressed a risk assessment framework; ensured all employee-facing materials are translated and accessible for all; launched our COSMO Ethics & Compliance Pages; delivered annual Code training for our employees; and offered instructor-led training for specific topics to high-risk functions and teams.

'Nest' Integration — prepared for Day 1 readiness and collaborated with Ground Transportation Systems (GTS) colleagues for the Code, Whistleblowing & Speak-Up, and policies and procedures adoption to ensure business continuity and a successful foundation for integration.

GOVERNANCE

Hitachi Rail maintains a culture of integrity and values its reputation for the highest standards of sincerity, accountability, and lawful, ethical conduct. The Hitachi Rail Compliance Programme develops and maintains this culture by implementing measures to prevent, detect and respond to compliance risks and misconduct.

The Compliance Programme Manual was formally documented in July 2023 in our internal Global Business Management System, and consists of three pillars:

Architecture

How the Programme is structured;

Implementation

How the Programme is deployed; and

Effectiveness

How the Programme works in practice.

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 (DOJ) requirements³ for an effective ethics and compliance programme.

Architecture:

- ▶ Compliance policies and procedures;
- ▶ Training and communications;
- ▶ Confidential reporting structure and investigations process;
- ▶ Business partner due diligence and management;
- ▶ Risk assessment; and
- ▶ Merger and acquisition related activities.

Oversight, Autonomy, and Organisation/Resources:

According to DOJ guidance, the Compliance function must be adequately resourced and have a measure of autonomy to effectively implement its Programme. The Hitachi Rail Group Chief Compliance Officer (CCO) leads the Programme and team, reports to the Group General Counsel, and is empowered to report directly to the Audit Risk and Compliance Committee (ARCC), which exercises oversight. The CCO is supported by **nine** compliance professionals (direct or dotted reporting lines)⁴. The team operates as a matrix organisation, with individual compliance managers responsible for a specific country/region and area of the compliance programme. The compliance organisation is extremely lean for a workforce of ~14,000 employees; given a general assumption of a 1:1,000 ratio of compliance personnel to employees for adequate compliance coverage.

Reporting:

From January 2023 to date, the CCO has provided six confidential Compliance briefings to the ARCC, and **quarterly updates** to Hitachi Rail's CEO since assumption of his duties in April 2023. Additionally, multiple **ad-hoc briefings** or communications were provided to the Hitachi Rail Senior Leadership Team, local legal entity Boards of Directors, Statutory Auditors, Management teams and functional leaders.

Future Focus:

The Compliance function will look to build on the achievements to date, with a view to explore appropriate timing for a Compliance Programme self-assessment using established programme assessment protocols and the self-verification attestation pending from Hitachi Corporate Compliance Office. Furthermore, the Compliance function will explore opportunities to identify potential key performance indicators (KPIs) for the Programme and look to standardise reporting formats to drive efficiency.

³Evaluation of Corporate Compliance Programs, U.S. Department of Justice Criminal Division, March 2023, www.justice.gov/criminal-fraud/compliance.

⁴Recent hiring includes: 1xSeptember 2022 (US, ABAC & Americas), 1xDecember 2022 (India, Operations & APAC), 1xJanuary 2023 (Italy, Whistleblowing & Investigations), and 1xJuly 2023 (UK, Export & Trade Compliance).

POLICIES & PROCEDURES

Aligned to our Code of Ethics and Business Conduct, our internal compliance policies and procedures define ethical conduct requirements for our workforce, or others that represent, or conduct, business on behalf of Hitachi Rail.

During August 2023 and May 2024, following authorisation protocols, the Compliance function issued **16 new policies and procedures**. Harmonising to Hitachi Group requirements, these policies and procedures have **standardised ethical conduct requirements** — setting the same rules for all our employees regardless of location or line of business. These policies and procedures replaced multiple and disparate instances that had operated concurrently within Hitachi Rail, and with differing requirements, at the time.

The consistency in approach and standardisation contributes towards **organisational fairness** and sets equal expectations for all.

Our policies and procedures commit to ensuring Hitachi Rail's compliance with all laws and regulations in effect wherever we do business. The requirements articulated in policies and procedures issued during August 2023 and May 2024 are summarised, alphabetically, below:

Anti-Bribery & Anti-Corruption — we refuse to pay or accept bribes. We act with integrity when engaging with public officials and the private sector. We do not pay fictitious or ambiguous expenses. We prohibit 'grease' payments and do not make political donations. We know and screen business partners..

Business Courtesies — we do not give or accept business courtesies (gifts, travel, entertainment) to influence business decisions and ensure compliance controls for pre-approvals.

Donations and Sponsorships — we review donations and sponsorships to avoid the perception of bribery or corruption, we only give to or sponsor eligible and legitimate recipients, and we ensure any donations or sponsorships are aligned to Hitachi's strategy and values

Anti-Money Laundering — we only conduct business with reputable customers, involved in genuine business activities and whose funds come from legitimate sources. We implement controls to prevent, detect and respond to money-laundering risks.

Books & Records — we present honest and accurate financial and business records that reflect the economic and commercial substance of our business activities, consistent with Company accounting and financial management rules and policies.

Conflicts of Interest — we avoid conflicts of interest, or the perception thereof, and always make decisions based on what is objectively best for the Company, rather than ourselves. We disclose, record, and manage conflicts of interest.

Fair Competition — we compete fairly in the marketplace and do not share information inappropriately or enter agreements to divide or allocate markets or customers, fix prices, manipulate bidding, or abuse or exploit our market position for unfair advantage. We disclose and record contact with competitors and industry group engagement.

POLICIES & PROCEDURES

Fraud Prevention — we prevent and detect fraud by maintaining a secure and transparent business with appropriate controls and segregation of duties.

Modern Slavery — we are committed to maintaining a culture of integrity and openness in all our business dealings and relationships. We take reasonable measures to minimize risks of modern slavery and forced labour in our business, operations, and value and supply chains.

Privacy and Personal Data Protection - we respect individual's privacy rights. We responsibly handle personal data entrusted to us. We provide a high level of protection of personal data and use, store, and protect data in compliance with relevant laws and regulations.

Intellectual Property (IP) Protection — We rigorously protect the IP that we create, acquire, and use and we respect the IP rights of others. We apply the same high standards of protection to any third-party IP in our custody. We acquire or transfer technical information responsibly.

Data Protection Impact Assessments — we collect, handle, and protect personal data responsibly.

Personal Data Breach Incident Management — we protect personal data we process and take precautions to protect it from unauthorised access and disclosure.

Data Subject Access Requests — we respect individuals' rights regarding their personal data.

Respectful Workplace — we provide a respectful, safe, dignified, and supportive environment for our workforce. We embrace our diversity and promote trust and fairness. We do not tolerate workplace-related discrimination and harassment.

Whistleblowing & Speak-Up — we promote a speak-up culture whereby anyone can report, in good faith, actual or suspected violations or breaches of laws, regulations, our Code of Ethics and Business Conduct, or our policies. We do not tolerate retaliation.

Future Focus:

An immediate focus in the year ahead will be employee sensitisation and engagement on the latest policies and procedures issued to ensure they understand the requirements and their obligations, including where they may need to submit disclosures or other forms for compliance control reviews, e.g. conflicts of interest, contact with competitors, and procedures related to the acquisition of technical information.

During the year ahead, the Compliance function will complete its review, and formally issue, or re-issue, refreshed policies and associated procedures for:

Compliance Due Diligence — we act with integrity and expect the same of those with whom we do business. We screen our business partners and customers to ensure they operate to the highest standards of integrity and quality.

Export and Trade Compliance — we comply with national and international export control regulations that control the cross-border transfer of our products and services, as well as any economic sanctions and customs laws and regulations.

All issued policies and procedures, associated forms, workflows and resources to support them are available to our workforce on the Ethics & Compliance Pages on our COSMO intranet. All policies and procedures have been translated into core languages of our workforce (Japanese, Italian, French, Spanish, and German) to ensure accessibility for all who work for Hitachi Rail, or who will do so in the near future, following closing of the transaction to acquire Thales Ground Transportation Systems.

ANTI-BRIBERY & ANTI-CORRUPTION

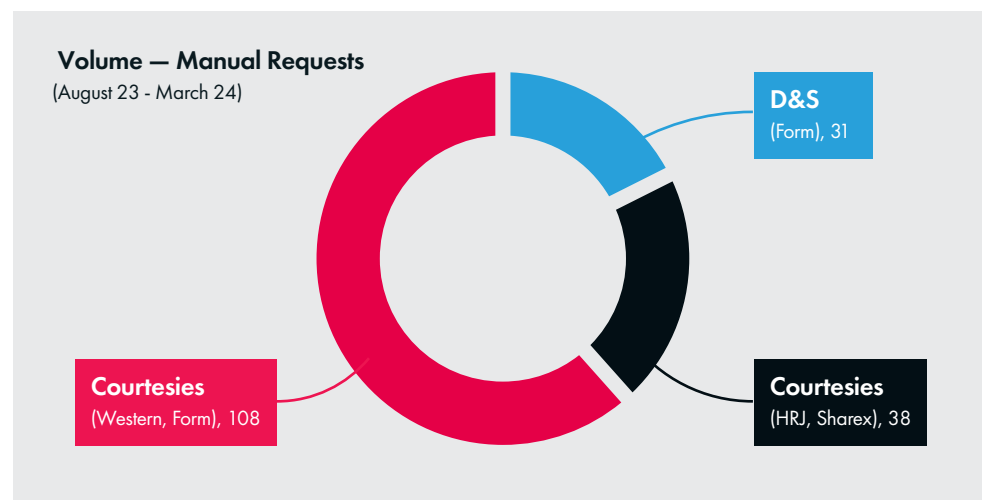
The Anti-Bribery & Anti-Corruption (ABAC) Policy was issued in August 2023, supplemented by two associated Procedures on Business Courtesies and Donations & Sponsorships (D&S).

The ABAC Policy reaffirms the Company's commitment to preventing bribery and corruption, including grease payments, undue influence, and political donations.

The associated Procedures define and standardise pre-approval controls for business courtesies, donations, and sponsorships. These Procedures are designed to ensure compliance with ABAC laws by providing transparency around Hitachi Rail gift and entertainment practices and providing our workforce insight on their own practices.

Donation and sponsorship recipients are screened by the Compliance function to ensure that they are legitimate and reputable, have no ties to public or government officials, Hitachi Rail business partners, and pose no other compliance risks. They are also reviewed by the External Communications and Marketing function to make sure contributions and recipients are aligned to our values, mission, and brand. These standardised pre-approval controls ensure compliance with ABAC laws by providing documented, auditable records for all Hitachi Rail business courtesies, sponsorships, and donations.

Volume and Trends for Manual Business Courtesies and Donations & Sponsorship Requests:



The Compliance function processed 177 manual requests for business courtesies, and donations and sponsorships since the Procedures became effective in August 2023. Until mid-March 2024, business courtesies pre-approval requests were submitted and reviewed using a manual form and email protocols. Of the **146 business courtesies requests** submitted, only **five were rejected**. Donations and sponsorship requests are submitted and reviewed using a manual form

and email protocols. Of the **31 donations and sponsorship requests** submitted, **two were rejected**.

This indicates that our employees generally demonstrate a legitimate business justification for business courtesies and proposed donations or sponsorships. They have understood feedback on rejected requests if they were not reasonable, proportionate, or appropriate in nature and value.

ANTI-BRIBERY & ANTI-CORRUPTION

BUSINESS COURTESIES DIGITALISATION, VOLUME AND TRENDS:

Business Courtesies Requests — Digital Form

(Mid-March — Mid-May 24)



The Business Courtesies Digital Form and Approval Workflow (Digital Form) launched mid-March 2024.⁵ This process improved traceability and employee engagement with the business courtesies approval process and has given the Compliance function the ability to use data analytics to provide insight into Company gift and entertainment practices. Some **79 business courtesies requests** have been submitted using the Digital Form since its launch in mid-March 2024 to mid-May 2024, of which only **17 requests** exceeded the US\$ 100 per person threshold which requires Compliance function review and approval,

indicating that employee entertainment practices are reasonable and appropriate.

Most business courtesies approved were entertainment given by Hitachi Rail employees to others (45 instances), followed by entertainment accepted by Hitachi Rail employees (25 instances). To date, there have been **five requests** for travel or lodging given to third parties, largely related to contractual requirements and obligations to customers. These requests require an additional level of approval by the Regional General Counsel. None of the submitted requests that are now closed were rejected.

⁵The Digital Form was developed and deployed in the Hitachi IT tenant linked to our O365 environment. Given the numerous accounting systems across the business, it is not automatically linked to expense reporting systems; employees can append their Digital Form when submitting expense reports to evidence compliance, regardless of which system their business unit or location may use.

ANTI-BRIBERY & ANTI-CORRUPTION

Business Courtesies Spend Trends:

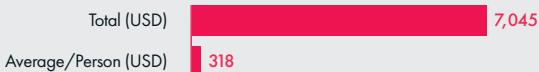
The spend data related to business courtesies as reported is based on data over a ~2-month period following digitalisation in mid-March 2024, and based on limited, initial engagement with the Digital Form and approval workflows. The Form was developed in the Hitachi IT tenant linked to our O365 environment. Given the numerous accounting systems across the business, it is not automatically linked to expense reporting or finance systems. Employees can append their Digital Form when submitting expense reports to evidence compliance with the approvals process for instances where business courtesies are given to external parties. The data should not be considered as complete empirical financial data, but rather based on Digital Form user inputs and initial engagement with the new process. There is likely under-use of the Digital Form and associated workflow approvals at present; actuals for spend on business courtesies given or accepted is thus likely much higher than captured here. This will be an area for continuous improvement.

Entertainment — Given
(Mid-March — Mid-May 24)



During mid-March to mid-May 2024, the **tracked spend via the new Digital Form on entertainment given** by Hitachi Rail employees to others was **~USD50,700**, with an average of **~USD\$95 per person**. This spend includes the cost of entertainment where Hitachi Rail employees would pay for themselves and the external recipients that they were hosting.

Travel or Lodging — Given
(Mid-March — Mid-May 24)



During the same period, the **tracked spend via the new Digital Form on travel or lodging given** to external recipients was **~USD7,045**, with an average of **~USD\$328 per person**. The requests were per agreements with customers and related to factory acceptance tests (San Ying Project, Taiwan) or other contractual requirements for meals during testing (Italian customers).

Entertainment — Accepted
(Mid-March — Mid-May 24)

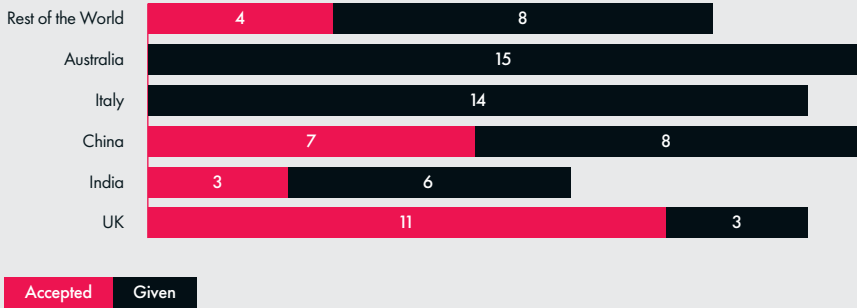


In terms of **value**, as tracked via the new Digital Form, **of entertainment accepted** by Hitachi Rail employees during the same period, the total was **~USD\$8,498** with an average per person value of **~USD\$191**. Hitachi Rail employees are accepting reasonable entertainment (meals, sports events) linked to business networking and relationship building imperatives.

ANTI-BRIBERY & ANTI-CORRUPTION

Business Courtesies Country Trends:

Business Courtesies Exchanged - Digital Form
(Mid-March - Mid-May 24)



The highest volume of business courtesies exchanged was in **Australia, Italy, China, India, and the UK.**⁶

Across the 45 instances where entertainment was **given**, the top three locations were **15 in Australia, 12 in Italy, and eight in China.**

Across the 25 instances where entertainment was **accepted**, the top three locations were **11 in the UK, seven in China, and three in India.**

The current volume of business courtesies requests appears to be reasonable for a company of our size when compared to other companies that publicly post their Compliance reports.

Following the launch of the Business Courtesies Procedure in August 2023, the Compliance team facilitated some **19 targeted, instructor-led training** or engagement sessions, focusing on functions and teams that present compliance control risks (e.g. Sales and Procurement teams) and partner functions such as Finance, that need to check and validate the required pre-approvals before approving expense report payments. Leaders and employees who attended the sessions were engaged and felt comfortable asking questions and responding to test case scenarios to help build understanding. Following the launch of the Business Courtesies Digital Form in mid-March 2024, multiple **‘Quick Guides’** were issued to help guide requesters on required approvals, and managers on how to critically review business courtesies requests as the first line of defence. Both the training pack and quick guides are readily available to employees on the Ethics & Compliance Pages on COSMO.

Future Focus:

During the year ahead, the Compliance function will continue to promote awareness of the Business Courtesies Digital Form, which has been well received by employees who have used it to date. Uptake and compliance with the new digital Form and approval workflows is likely under-utilised and continued engagement and promotion of the new process will be an ongoing focus area for the Compliance team. The team will also explore options to design and implement a Donations & Sponsorships Digital Form, to similarly improve traceability and employee engagement with the associated review and approval processes.

While members of the Compliance team will continue to offer on-demand instructor-led training sessions on business courtesies, it will look to explore options to transpose the training content into ‘micro e-learning’ assets that can be deployed via our Learning Management Systems (LMSs) and allow employees to refresh or top-up their knowledge on these important anti-bribery and anti-corruption controls as needed.

⁶The Digital Form was launched in all Hitachi Rail locations, except Japan. For Hitachi Rail Japan, business courtesies expenses for giving scenarios are reviewed and approved in the Sharex expense report system.

WHISTLEBLOWING & SPEAK-UP

Hitachi Rail 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 and Business Conduct, or our policies and has a zero-tolerance policy for retaliation of any kind against concern reporters or “whistleblowers”.

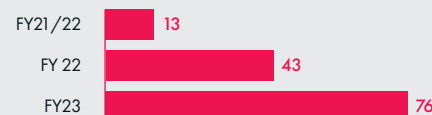
Various speak-up channels are identified to report a concern, including Managers, members of the Human Resources and Legal & Compliance teams, Supervisory Bodies, and the Hitachi Global Compliance Hotline.

In February 2023, the Compliance team assumed **direct case management** of our business unit's whistleblowing matters in the dedicated NAVEX tool and, in August 2023, the Hitachi Rail Whistleblowing & Speak-Up Policy was issued.

Thereafter, appropriate communication and awareness campaigns were launched (COSMO, Yammer/Viva Engage, dedicated emails, and posters) to duly inform all of our workforce about how they can report concerns. Additionally, dedicated and bespoke instructor-led **training sessions for all Operational HR teams** on expectations as speak-up channels were conducted between October 2023 and January 2024.

Volume, Anonymity and Speak-Up Channels Trends:

Y-o-Y Volume



In fiscal year 2023, Compliance managed **76 concerns**, representing a **77% year-on-year increase in volume** compared to fiscal year 2022 (43 reported concerns). When comparing to data reported over 2020-2021, this represents a **485% increase** in volume (from 13 reported concerns to 76).

FY22 Anonymity



FY23 Anonymity

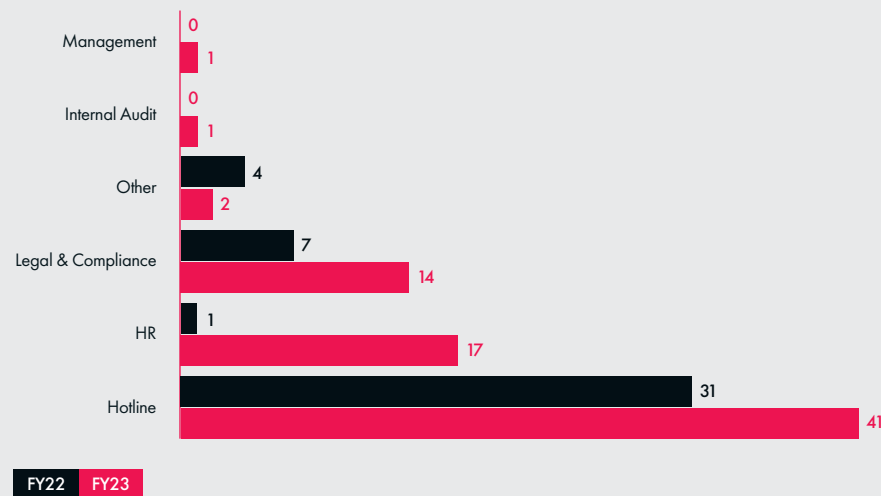


Anonymous reporting decreased **23 percentage points** compared to fiscal year 2022, demonstrating increased trust in the programme and process. **Vitality rate** (reported concerns per '00 employees) increased year-on-year, from 0.3 to 0.5. A healthy vitality rate indicates a healthy and open culture. This upward trend in vitality rate is a positive development, although the business has some way to go to reach a global, median rate of 1.4 for global multinational companies.

WHISTLEBLOWING & SPEAK-UP

Speak Up Channel Trends:

YoY Speak Up Channels



During the reporting period, the majority of concerns were reported through the **Hotline** (54%), maintaining the same trend highlighted in fiscal year 2022 (72% of concerns reported through the Hotline).

However, in fiscal year 2023 trust in the **Human Resources** (22% of concerns reported against 2% in fiscal year 2022) and **Legal & Compliance** teams (18% of concerns reported against 16% in fiscal year 2022) as Speak-Up channels increased indicating improvements in employee trust in approaching and reporting via these channels.



WHISTLEBLOWING & SPEAK-UP

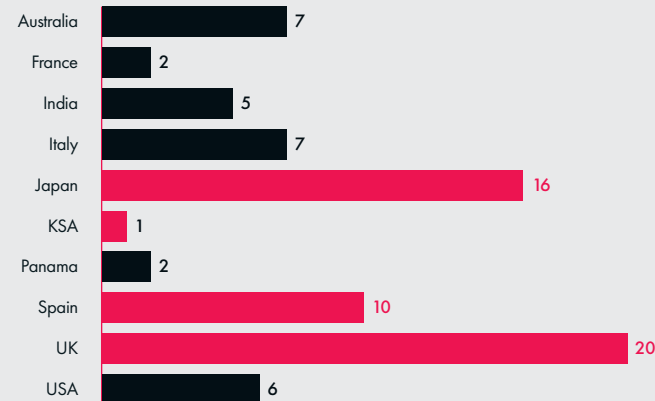
Countries and Reported Issues Trends:

Concerns were reported across all regions. The countries with the highest number of reported concerns were the **UK** (26%) and **Japan** (21%), followed by **Spain** (13%). Reporting in Italy and the US may be lagging compared to employee population size in these countries.

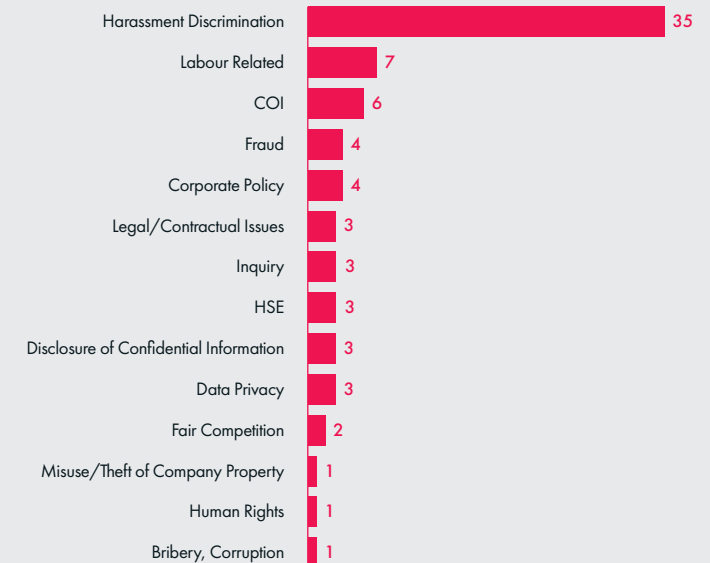
In terms of primary issues reported, **harassment and discrimination-related** concerns account for 46% of volume (35 of 76 concerns), followed by other **labour-related** issues at 9%, and **conflicts of interest** at 8% of volume.

The fourth highest issue reported was **fraud** (5%), which includes a wide range of sub-issues including, for example, non-financial related misrepresentation of information.

Concerns by Country (FY23)

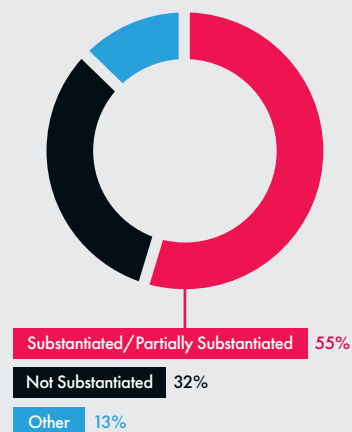


Primary Issues Reported (FY23)

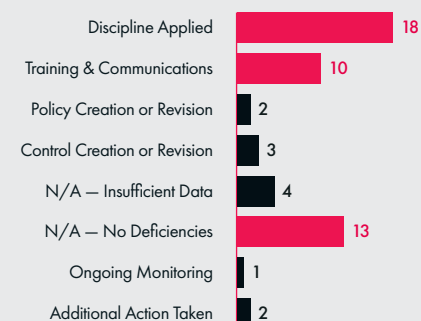


WHISTLEBLOWING & SPEAK-UP

Outcomes and Corrective Actions:

Case Outcomes & Findings
(FY23)

A healthy range of **confirmations** was maintained (**55%**), including **substantiated or partially substantiated cases**. Some 13% of reported concerns were inquiries or matters not related to Compliance concerns, which were duly answered or dispositioned and handed over to the relevant function within the business for resolution.

Corrective Actions
(FY23)

The business implemented a range **of corrective actions**, including **18** instances where some form of **discipline was applied** in response to substantiated violations or misconduct. Multiple instances of **training and communications** to reinforced expectations were also delivered to employees.

The 18 instances of discipline during the reporting period include:

- ▶ **Five terminations;**
- ▶ **Four written or verbal warnings;**
- ▶ **One resignation** accepted in lieu of discipline;
- ▶ One suspension;
- ▶ One salary decrease;
- ▶ One change in reporting line (one action, but cross-correlated across four concerns reported);
- ▶ One disciplinary proceeding resulted in a recommendation for no further action; and
- ▶ One disciplinary proceeding was open and active at the time of report finalisation.

Disciplinary actions were for confirmed instances of misconduct related to harassing or discriminatory behaviour, false representations, conflicts of interest, abuse of a company benefit, data privacy, and violations of fair competition practices.

Future Focus:

Hitachi Rail employees are engaging with the Whistleblowing & Speak-up Programme, with many reporting concerns related to workplace relations and behaviours. While not all concerns are substantiated, the fact the Hitachi Rail employees are reporting concerns of this nature suggests that reinforcing a respectful and fair workplace, and continuing to model appropriate behaviour and engagement styles, should continue to be a focus area across the organisation.

During the year ahead, the Compliance function will continue to create targeted and frequent employee communications and awareness initiatives on the Whistleblowing & Speak-Up Programme. Moreover, the team will look to define a structured data retention process in NAVEX to remain compliant with GDPR and any country-specific privacy requirements. Building on the successful increase in reporting via HR speak-up channels, further targeted, instructor-led training to other non-hotline speak-up channels is anticipated for the coming year.

DUE DILIGENCE & BUSINESS PARTNER MANAGEMENT

Hitachi Rail conducts due diligence on third parties to avoid establishing relationships with entities who engage in illegal or unethical activities.

In February 2023, the Procurement function implemented a due diligence and onboarding process for all new suppliers via the Jaggaer tool, which includes a compliance due

diligence review. The Compliance team worked with Procurement colleagues to develop a risk assessment protocol whereby new suppliers are screened for:

Compliance and reputational risk events (e.g. negative news, regulatory enforcement including fines or other penalties, and legal actions including litigations);

Export trade sanctions and blacklisting;

Corruption risk (including corruption perception scores, financial secrecy, and corporate tax haven indices); and

Human rights risk (including Ecovadis industry and country risks, and worker's rights indices).



All suppliers that have medium- or high-risk findings in any of these four screening areas are escalated to the Compliance function for review and recommended disposition.

Based on the level of risk identified, the Compliance function may perform additional database screening and desktop reviews of public records or court findings to determine

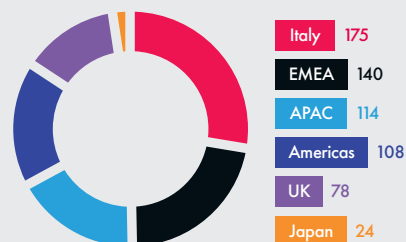
whether the supplier onboarding process is continued or stopped. If continued, the Compliance function may recommend implementing specified remediation measures to mitigate the identified risk. In rare cases, the Compliance function may escalate the supplier for enhanced compliance due diligence before making a final recommendation.

DUE DILIGENCE & BUSINESS PARTNER MANAGEMENT

Compliance DD Reviews – Volume and Disposition Outcomes:

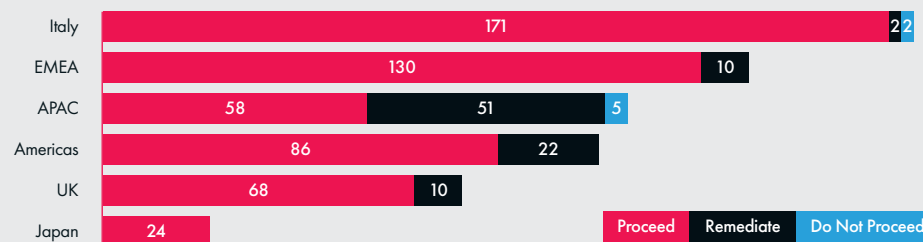
Compliance DD Reviews - Volume

(February 23 - March 24)



Compliance DD Reviews - Dispositions

(February 23 - March 24)



There have been **639** suppliers escalated for Compliance review, scoring a medium or high risk in one of the four compliance screening areas articulated above.

Suppliers are reviewed by the Compliance Manager in the country or region where the legal entity engaging the supplier is located, rather than the supplier's location. The bulk of the suppliers escalated are in **Italy**, where most of the Company's suppliers are onboarded. There is a significant number of suppliers escalated in the **APAC** and **EMEA** regions, due to the presence of **high-risk countries** in these regions.

Of those escalated for Compliance due diligence review, only **seven suppliers** received a '**do not proceed**' recommendation from the Compliance function. **Remediation** measures, such as strong contract language or confirmation of product sourcing, were recommended for **95 suppliers**. The remaining **537 suppliers** evaluated were cleared to **proceed** with the onboarding process.

The Compliance function partnered with Procurement to launch Hitachi's **Expectations of Business Partners ("Expectations")** in May 2024. Hitachi, Ltd. released the Expectations to business units for implementation in March 2024. The Expectations document will replace our Supplier Code of Conduct, and a Rail-specific Addendum has been added to ensure coverage for any industry-specific risk areas or regulatory requirements that need to be accommodated. The transition to the Expectations will ensure a 'One Hitachi' approach for suppliers regardless, of which business unit they transact with.

Future Focus:

The Compliance function is preparing a global Compliance Due Diligence Policy and associated Procedures to standardise and document compliance due diligence for all types of third parties, including customers, agents, suppliers, joint venture partners, and donation and sponsorship recipients. The Compliance function is also working with Procurement to review the supplier onboarding risk assessment, due diligence questionnaire, and compliance review protocol to streamline the process and ensure that Compliance due diligence reviews are conducted on those suppliers who present actual, rather than theoretical, compliance risks to Hitachi Rail.

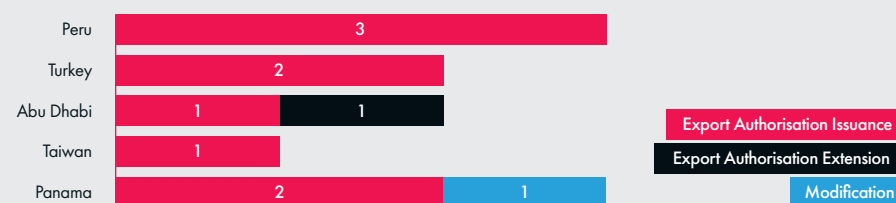
EXPORT & TRADE COMPLIANCE (ETC)

Hitachi Rail is committed to complying with regulations regarding the export, import, re-export or re-transfer of products (tangible or intangible), technologies, information, and services (hereinafter “goods”) classified as “dual-use”. Hitachi Rail shares the concerns of the international community on the proliferation of weapons of mass destruction. We do not deal in military products, and Hitachi Rail is committed to complying with all applicable export and trade compliance laws and regulations. We conduct export and trade compliance-related due diligence against any possible illicit transactions and ensure that no products are provided, and no trade is carried out in any country or any entity in violation of laws or regulations.

During the reporting period, the Compliance function validated that all STS hardware manufactured at Hitachi Rail factories was classified against the relevant **420 “configuration item” codes** that are considered **dual-use due to encryption**.

Our dual-use hardware requires export licences. Hitachi Rail holds **11 active export licences**: two EU General Export Authorisation (EUGEA) licences, and nine EU Individual

Individual Export Licences
(FY23-25)



Export Authorisation licences, of which six ‘individual’ export licences were issued by Italian regulators in fiscal year 2022, while the business secured three new ones in fiscal year 2023. Hitachi Rail additionally had an extension (modification) granted on one individual licence. We maintained our active EUGEA licences issued by Italian regulators and converted two of them from legacy paper to digital licences during the reporting period. We complied with reporting requirements and submitted bi-annual reports to the Italian regulators in July and December 2023.

During the reporting period, Hitachi Rail became aware of the re-export of dual-use hardware from Australia to Italy for after-market repair without the locally required

licence. No fines or non-monetary sanctions are anticipated for Hitachi Rail, and while not required, Hitachi Rail will submit a **voluntary self-disclosure (VSD)** in keeping with good business practice and to remain in good standing with the relevant authorities. For completeness, Hitachi Rail is reviewing all re-export activities of controlled items for after-market repair from global project sites to maintain full compliance. Hitachi Rail also supported an Italian supplier for a VSD to US regulators as an interested party. In January 2024, we secured and started using a **UK general licence for imports** of iron/steel; this was needed given the current UK government’s sanctions package related to Russian-origin iron/steel.

Future Focus:

In the year ahead, the Compliance function will continue to review relevant legal requirements with a view specifically to map intangible technology transfers (e.g. software) for compliance and to identify any associated risk exposure. We will also focus attention on how the business can ensure appropriate segregation of Engineering tools that have dual-use items included therein. An area requiring more focus from the business is customs compliance. The Compliance function will look to undertake a review of existing operational expertise for customs compliance within the business so that insufficiencies can be mapped, and actions to mitigate the gaps defined. Furthermore, focus will be maintained on securing the pipeline of anticipated licences in the current fiscal year.

PRIVACY & PERSONAL DATA PROTECTION

Hitachi Rail takes great care in ensuring compliance with all relevant privacy and personal data protection laws and regulations in effect wherever we do business. We proactively manage personal data lawfully and ethically, in compliance with current local privacy laws and best international practices.

In August 2023, we issued our global Privacy Policy and associated Procedures for Data Protection Impact Assessments, Personal Data Breach Incident Management, and Data Subject Access Request. These align to Hitachi Group Privacy Principles, while allowing for operational governance models based on jurisdiction-specific requirements across Hitachi Rail.

During fiscal year 2023, the Compliance function completed implementation of the global STS **governance model in all European jurisdictions**, in particular we extended the model to Spain and France, ensuring full compliance for our operations and employees in these countries. Moreover, the Compliance function assisted in updating where required, language and new wording across data protection agreements in Italy.

We processed some **~40 data subject access requests** (DSARs) in the UK during the reporting period and actioned multiple data protection impact assessments (DPIAs) for IT, HR, or other initiatives and projects where they were required, and in keeping with good business practices to protect personal data.

In January 2024, to coincide with International Data Privacy Day, we launched our **first global privacy and personal data protection training package** across all entities that are subject to GDPR, or similar requirements.⁷ The training package was offered to all employees in Hitachi Rail Limited (UK) and all those employed by a Hitachi Rail STS legal entity, globally. The package included focused modules to ensure all employees have the same baseline understanding of requirements and obligations. A global **completion rate of 70%** was achieved, with positive feedback received.

In April 2024, the Compliance function, under 'Governance,' updated the **COSMO Privacy and Personal Data Protection Page** to ensure consistent and adequate employee access related to their privacy notices and operational materials. There have been some **384 site visits** to the Page.

**Future Focus:**

In the year ahead, the Compliance function will focus on developing a plan to continue and extend implementation or a refresh of governance models to non-EU jurisdiction following review where more local specificity is needed in response to legislation, e.g. Australia, India, Canada, and China. We will also explore possibilities to integrate and simplify across differing governance models where appropriate and feasible. We will further ensure all intragroup data transfer agreements remain current, and EU 'standard contract clauses' or any legal adequacy requirements are met.

⁷Hitachi Rail Japan employees received training directly related to Japanese legal requirements.

COMPLIANCE OPERATIONS & ENGAGEMENT (TRAINING, COMMUNICATIONS)

Compliance Operations:

During the reporting period, a key focus for compliance operations was to start our Programme's **digitalisation journey**. In March 2024, the Compliance function launched its **first digitalised approval form** and workflow for business courtesies. The Digital Form was a first for Hitachi Rail, and the Compliance team is proud to have been a trailblazer in this regard.

During the reporting period, the Compliance function also progressed a **compliance risk assessment framework** that we hope to launch later this fiscal year. While enterprise risk management seeks to identify and prioritize external and internal risks which can have a significant impact on the business (e.g. recession, credit/forex risk, project execution risk, natural disasters, major supply chain disruptions); compliance risk is the threat posed to our Company's financial, organisational, or reputational standing resulting from violations of law, regulations, codes of conduct, or standards of practice.



A compliance risk assessment should seek to identify and assess the risk and impact of legal or regulatory sanctions, financial loss, or damage to reputation resulting from failures to comply with legal or other requirements (e.g. bribery and corruption, privacy breaches, human rights violations, employee misconduct, significant conflicts of interests).

Regulators expect frequent compliance risk assessments, and refining and deploying the compliance risk assessment framework for Hitachi Rail is a near-term priority for the Compliance function.

COMPLIANCE OPERATIONS & ENGAGEMENT (TRAINING, COMMUNICATIONS)

Engagement:

In supporting our employee-facing focus, the Compliance function facilitated and ensured all our internal Compliance Policies and Procedures have been translated into the core languages of our workforce, including Japanese, Italian, French, Spanish, and German (in anticipation of integration of Ground Transportation Systems into Hitachi Rail).

Importantly, to ensure all **compliance-related materials are accessible for all**; in addition to translations, the Compliance function developed and launched its dedicated **COSMO Ethics & Compliance Pages (E&C Pages)**.

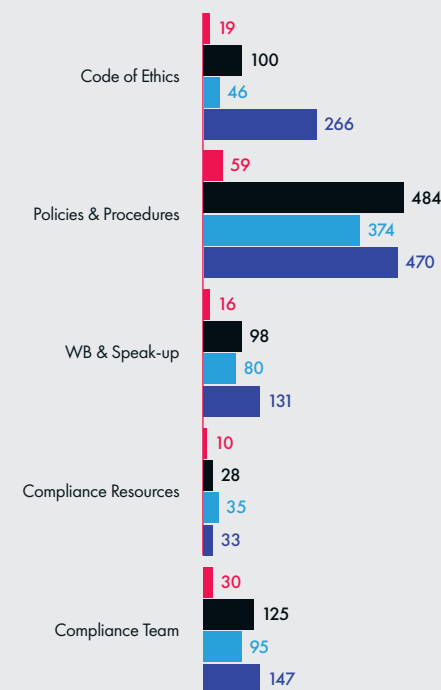
The E&C Pages serve as a resource for employees to all compliance related materials and has numerous sub-pages:

- ▶ **Code of Ethics and Business Conduct** — access to the Code in 22 languages;
- ▶ **Compliance Policies and Procedures** — access to all issued Policies, Procedures and associated forms in all core languages used by our workforce (English, Japanese, Italian, French, Spanish and German);
- ▶ **Whistleblowing & Speak-Up** — easy, clickable links to the Hotline and other available speak-up channels and guidance on how to report;
- ▶ **Compliance Resources** — repository for useful content on Compliance topics including promotional materials, quick guides, and training or briefing packs;
- ▶ **Your Compliance Team** — easy and quick reference so employees know who to reach out to with any questions.

Employees have engaged with the E&C Pages with approximately 2,000 site visits since they were launched in January 2024, with the Policies & Procedures sub-page being the most accessed and visited across all languages.

E&C Home Page Visits

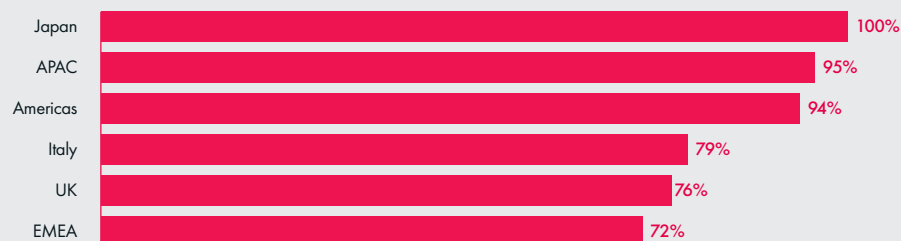
(January - Mid-May 24)

**E&C Sub-Page Visits**

COMPLIANCE OPERATIONS & ENGAGEMENT (TRAINING, COMMUNICATIONS)

Training:

FY23 Code Training Region Completion Rates

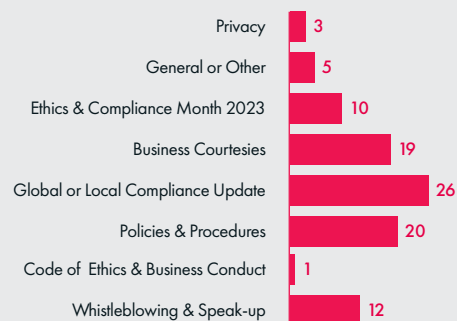


The Compliance function partnered with the Learning and Development team to launch the **annual Code training** in October 2023 as part of Hitachi's Ethics Month. While the completion target for the training is 100%, Hitachi Rail achieved **86% overall completion**.

In fiscal year 2023, the Compliance function conducted some **19 engagement sessions** for **targeted, instructor-led training** (either in-person or via Teams) to reinforce the new Business Courtesies Procedure with employees and teams that pose compliance control risks, such as Sales and Procurement.

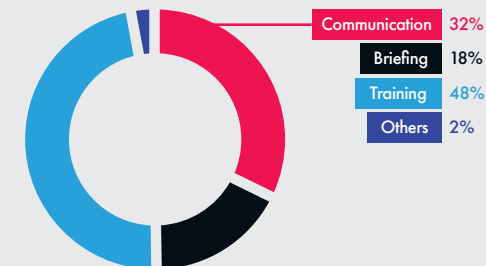
Communications:

Compliance Communications by Topic



The Compliance function also strategically deployed **communications, trainings, quick guides, and briefings** to raise awareness on compliance and ethics topics throughout the reporting period, including among others, our new policies and procedures, promotion of the new global whistleblower Hotline, targeted communications to drive Code training completions, reminders around the holidays on appropriate gift-giving to business partners, and the annual Corporate Ethical Culture and Compliance Perceptions Assessment Surveys; leveraging and using the Hitachi Rail Global Community on Yammer/Viva Engage for high-visibility engagement with all employees, regardless of location.

Type of Engagement



Future Focus:

During the year ahead, the Compliance function will look to continue its digitalisation journey and to drive employee engagement with compliance topics and content. An area of development is also to strengthen the bench of internal 'micro-learning' available to our workforce for e-learning, for which investment will be needed.

'NEST' INTEGRATION

The acquisition of the Ground Transportation Systems business (GTS) from Thales Group (Project Nest) was set to close on 31 May 2024. The Compliance function has worked with counterparts in GTS to prepare for aspects of the Hitachi Rail Compliance Programme to go into effect for the GTS workforce on Day 1 after close.



GTS will adopt the **Hitachi Group Code of Ethics and Business Conduct** (the Code) on Day 1 and receive targeted 'communicate and comply' messaging. The Code will be available to the GTS workforce on Day 1 through their intranet site, and materials promoting the Code have been provided to GTS in advance for display across worksites on Day 1.

Our online Code training package is set to launch to the GTS workforce on Day 1, with expectations for a 100% completion rate by the end of September 2024. Instructor-led training packs and videos will be used to deliver Code training to employees who do not have computer access.

In addition to the Code, the Whistleblowing & Speak-Up Programme, including the Hotline, will be launched in GTS on Day 1. Powers of Attorney have been executed by GTS entities to Hitachi, Ltd. to enable use of the Hotline, managed by NAVEX. We have provided necessary Hotline promotional materials to GTS counterparts, which will also be available on their intranet for their employees. Targeted Day 1 communications on how to report concerns will be used. We anticipate there may be an increase in concern reporting upon integration, which is common after merger and acquisition activity.

'NEST' INTEGRATION

The Compliance function worked with GTS counterparts to reach agreement on our policies and procedures that will apply to GTS on Day 1. The following will apply to GTS on Day 1:

Anti-Bribery and Anti-Corruption Policy

Business Courtesies Procedure
(using the Manual Form for GTS, Digital for Hitachi Rail's current workforce)

Donations & Sponsorships Procedure
(using the Manual Form for all)

Whistleblowing & Speak-Up Policy

Books & Records Policy

Anti-Money Laundering Policy

Privacy Policy

Data Protection Impact Assessment Procedure

Personal Data Breach Incident
Management Procedure

Data Subject Access Request Procedure

Fraud Prevention Policy

Modern Slavery Policy

Respectful Workplace Policy

Conflict of Interest Policy

Fair Competition Policy

GTS will maintain its own Export & Trade Compliance (ETC) Programme due to the inherent complexity and interdependencies in export and trade control. ETC Programmes involve not only Compliance, but also Procurement, Sales, Logistics, and Supply Chain. In addition, there are IT system interdependencies that will need to be harmonized during integration. GTS has been approved to hire a central resource for ETC oversight for GTS after closing.

Our Privacy Policy and associated Procedures will apply to GTS on Day 1. However, as Privacy and Personal Data Protection operations and governance are complex, being legal entity and jurisdiction specific, GTS will maintain its own operational and governance programme through integration. GTS will action and directly maintain their own records of processing, data impact assessments, data subject access requests, privacy notices, any notifications to relevant authorities, as needed. In March 2024, GTS hired a central resource to manage their programme.

Hitachi Rail and GTS Labour Relations colleagues have ensured all European Works Councils have undergone the 'inform and consent' process using materials prepared by the Hitachi Rail Compliance function as it relates to the Code, Whistleblowing & Speak-Up, and Compliance Policies and Procedures.

Future Focus:

In the immediate future, the Compliance function will focus on ensuring compliant business continuity after the transaction closes. We will partner with GTS colleagues and counterparts to facilitate adoption of our Hitachi Rail values, mission, and culture of ethics and compliance.

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