

Responsible Minerals Sourcing Report 2023

Acronyms	Description
3TG	Tin, Tantalum, Tungsten and Gold
RCOI	Reasonable Country of Origin Inquiry
CMRT	Conflict Minerals Reporting Template
EMRT	Extended Minerals Reporting Template
RMI	Responsible Minerals Initiative
DRC	Democratic Republic of the Congo
RMSR	Responsible Minerals Sourcing Report
CAHRAs	Conflict Affected and High-Risk Areas
OECD	Organization for Economic Cooperation and Development
RMAP	Responsible Minerals Assurance Process

Introduction:

Hitachi Energy is a global technology leader that is advancing a sustainable energy future for all. We serve customers in the utility, industry and infrastructure sectors with innovative solutions and services across the value chain. Together with customers and partners, we pioneer technologies and enable the digital transformation required to accelerate the energy transition towards a carbon-neutral future. We are advancing the world's energy system to become more sustainable, flexible and secure whilst balancing social, environmental and economic value.

Responsible sourcing manages social, environmental and/or economic aspects. Conflict Minerals are defined as cassiterite, columbite-tantalite and wolframite, and their derivatives, which are limited to tin, tantalum and tungsten, and gold, otherwise called as 3TG. The functionality of a substantial portion of our global product portfolio relies on the use of direct materials, especially electronic components, which include amounts of tin, tantalum, tungsten, or gold (necessary conflict minerals). There is growing interest in responsible sourcing of minerals other than 3TG. Besides the problems of 3TG mining, NGO reports in the past few years have also highlighted the serious environmental pollution and human rights violations associated with cobalt mining.

This Responsible Minerals Sourcing Report (RMSR) for the calendar year 2022 explains our due diligence efforts including the RCOI to determine whether the 3TG and cobalt in our products originated from sources (e.g., suppliers, smelters, refiners, mines) that did not or do not directly or indirectly finance or benefit armed groups in the conflict-affected and high-risk areas (CAHRAs).

We are committed to engaging with our customers regarding their reporting and disclosure requirements related to responsible minerals. The report presented herein is not audited. The content of any website referred to in this report is included for general information only and is not incorporated by reference in this report.

Section 1: Due diligence framework & measures undertaken

We designed our due diligence measures to be in conformity, in all material respects, with the internationally recognized due diligence framework set forth in the Organization for Economic Cooperation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Third Edition (2016) (the OECD Framework) and related supplements and its five-step framework.

Step 1: Establish strong company management systems

We undertook the following measures to establish strong company management systems per Step 1 of the OECD Framework:

Our commitment

- We continued to promote awareness of the responsible minerals program within Hitachi Energy through a number of communication channels including targeted communications to specific employee groups, adding articles and information videos on the company's intranet and targeted internal communication from our supply chain senior management.
- We maintained a dedicated website for material compliance, including a statement on our position on conflict minerals and cobalt. Our policy with respect to the sourcing of 3TG and cobalt is published in our website - <https://www.hitachienergy.com/about-us/supplying/material-compliance>

Supplier Engagement

- We continued to require suppliers to adhere to the “Hitachi Energy General Terms and Conditions for Purchase of Goods and Services” which requires our suppliers to:
 - Work towards ensuring not to have 3TG and cobalt sourced from conflict mines in products supplied to Hitachi Energy.
 - Comply with the Hitachi Energy Supplier Code of Conduct, including the sections relating to material compliance.
 - Take the necessary steps to demonstrate that any 3TG and cobalt contained in the products supplied to Hitachi Energy do not originate from mines that support or fund conflict within the covered countries.
 - Extend their search further down their supply chain, if necessary, to determine the source of specified minerals.

Step 2: Identify and assess risks in the supply chain

To identify risks in the supply chain, we performed the following:

- Our purchased components were evaluated to identify components within our products that are likely to contain 3TG and cobalt, using Hitachi Energy material description code. These identified components were then categorized into different levels of risk, depending on the likelihood of 3TG and cobalt content, the volume of transactions with the supplier and the total value of the components purchased. Based on these evaluations, and the enhanced data available from our information systems, we then identified the relevant suppliers and prioritized which suppliers to survey, focusing on covering the highest-risk suppliers, in terms of 3TG and cobalt content and amount of products purchased.
- In 2022, we aimed to identify the smelters and refiners in our supply chain through the survey of 801 relevant suppliers for Conflict Minerals and 62 relevant suppliers for cobalt. Our suppliers identified 343 smelters and refiners of 3TG and 69 smelters of cobalt that were potentially in their supply chains.
- We have a structured process to send and receive supplier surveys, follow up on non-responses, summarize survey results. Our list of smelters/refiners identified to be processing or refining 3TG and cobalt in our products is based on the responses received from our suppliers.
- For completed surveys, responses were evaluated against a predefined list of red flags to determine what corrective action, if any, would be required for the identified risk. A corrective action plan was implemented for the identified red flags, including insufficient responses.

Step 3: Design and implement a strategy to respond to identified risks

Report findings to designated senior management

Throughout the progress of the supplier survey process, a management reporting dashboard is available to the senior management team on a real-time basis. This provides timely summary statistics on the supplier survey responses as well as the status of our overall risk assessment process. The dashboard also provides a summary of the number of responses currently requiring an escalation process to resolve response deficiencies or address identified red flags.

Devise and adopt a risk management plan

In 2022, we commenced communications with our suppliers who were identified to be sourcing 3TG and cobalt from high-risk smelters/refiners with the aim of encouraging these smelters/refiners to become validated as conformant by RMI's Responsible Minerals Assurance Process (RMAP) or, if these smelters/refiners refuse to participate in the process, remove the smelter/refiner from their supply chain. For our suppliers identified to be sourcing from a high-risk smelter/refiner, we sent the supplier a letter which requested: (1) that the supplier confirm whether the identified high-risk smelter/refiner is in their supply chain and if such materials were in products supplied to Hitachi Energy, (2) that the supplier encourage these smelters to participate in RMI's RMAP and (3) that if a smelter/refiner refuses to participate in the RMAP, the supplier should develop a plan to remove the smelter/refiner from their supply chain.

Step 4: Carry out independent third-party audit of smelter/refiner due diligence practices

We are a downstream consumer of 3TG and cobalt. Generally, we do not purchase raw minerals or ores, and are normally several tiers away from smelters/refiners within our supply chain. Therefore, we do not perform direct audits of those smelters/refiners. The data on which we relied for certain statements in this RMSR was obtained through our membership in the RMI, using the Reasonable Country of Origin Inquiry report.

Step 5: Report annually on supply chain due diligence

This report is available online at [Material Compliance | Hitachi Energy](#)

Section 2: Results of the due diligence

In 2022, we received and accepted completed reporting templates from 91% of our surveyed conflict minerals suppliers and 40% of our surveyed cobalt suppliers. We are in dialogue with the remaining suppliers who provided us with an incomplete or inconsistent response.

Our suppliers are generally several tiers away from the origin of smelters of their raw materials, and therefore have challenges in performing their due diligence. As a result, the information provided by our suppliers is often incomplete or is not verified, and we are therefore unable to verify with certainty the source and chain of custody of all the 3TG and cobalt minerals in our supply chain.

In 2022, our supplier responses identified 343 smelters/refiners as being the source of 3TG and 69 smelters as being the source of cobalt in their products. The complete lists of identified smelters/refiners are available in our CMRT and EMRT which can be obtained by sending request to in-conflictminerals.pg@hitachienergy.com.

The following tables provide the number of smelters/refiners identified in our supply chain for 3TG:

Identified Smelters/Refiners – Conflict Minerals				
	RMAP Conformant Smelters/Refiners ⁽¹⁾	RMAP Participating Smelters/Refiners ⁽²⁾	Other Smelters/Refiners ⁽³⁾	Total identified
	2022	2022	2022	2022
Gold	95	11	69	175
Tantalum	32	-	2	34
Tin	60	3	20	83
Tungsten	34	1	16	51
Total	221	15	107	343

(1) Audited and have been found to be conformant with the RMI's Responsible Minerals Assurance Process (RMAP conformant).

(2) In the process of being audited (RMAP Active). This category also includes smelters and refiners who are in communication but have not commenced the validation audit.

(3) Have not commenced the RMAP validation audit or found to be non-conformant with the relevant RMAP standard post the RMAP process.

The following tables provide the number of smelters/refiners identified in our supply chain for cobalt:

Identified Smelters/Refiners – Cobalt				
	RMAP Conformant Smelters/Refiners ⁽¹⁾	RMAP Participating Smelters/Refiners ⁽²⁾	Other Smelters/Refiners ⁽³⁾	Total identified
	2022	2022	2022	2022
Cobalt	36	6	27	69
Total	36	6	27	69

(1) Audited and have been found to be conformant with the RMI's Responsible Minerals Assurance Process (RMAP conformant).

(2) In the process of being audited (RMAP Active). This category also includes smelters and refiners who are in communication but have not commenced the validation audit.

(3) Have not commenced the RMAP validation audit or found to be non-conformant with the relevant RMAP standard post the RMAP process.

Section 3: Continuous improvement efforts to mitigate risk

During 2023, we plan to take the following steps as part of our due diligence program:

- Continue our work to increase the response rate and quality of supplier responses by:
 - Working directly with our suppliers on the completion of their CMRT and EMRT including direct engagement of our largest and key suppliers.
 - Providing additional training on 3TG and cobalt to our suppliers who have been unable to provide sufficient response quality.
 - Continue to support the initiatives of the RMI by providing a resource who will be involved in the RMI Smelter Engagement Team, seeking to bring legitimate non-certified smelters into the RMAP program and assess their compliance for certification as RMAP conformant smelters.
 - Continue to include a clause in new or renewed supplier contracts that requires suppliers to provide us with necessary responsible minerals sourcing information.
 - Continue to follow the OECD due diligence guidance and be involved in relevant trade associations to define and improve best practices and encourage responsible sourcing of 3TG and cobalt.
 - For smelters/refiners who have been identified as being a high-risk of non-conformant sourcing practices, we plan to continue to enhance the due diligence process to follow-up with our suppliers who are using these smelters/refiners. The purpose is to promote an ethical supply chain and reduce the risk that Hitachi Energy has on 3TG and cobalt used in our products, which are sourced from conflict mines.
 - Continue to follow-up on uncooperative suppliers and re-consider our business continuity with those suppliers refusing to cooperate.

Section 4: Independent audit

As Hitachi Energy has not concluded on the DRC conflict status for any of its products, this Responsible Minerals Sourcing Report does not require an independent private sector audit. The content of any website referred to in this report is included for general information only and is not incorporated by reference in this report.

Further information on our sourcing policy on conflict minerals and cobalt can be found at <https://www.hitachienergy.com/about-us/supplying/material-compliance>