

Fighting Against Forced Labour and Child Labour in Supply Chains Act, 2023 Report

This joint report is made on behalf of the Hitachi Energy Ltd. subsidiary entities specifically identified below (hereinafter, collectively “Hitachi Energy”, “we”, “us” or “our”) pursuant to the requirements laid out in Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (S.C. 2023, c. 9) (the “Act”). It covers actions and activities performed during the financial year ending March 31, 2024 and is approved by its the respective governing bodies of the entities specifically identified below, which are engaged in producing, selling, distributing and/or importing goods into Canada and are subject to the Act.

Hitachi Energy Canada Inc. Business Number: 797665536 800 Hymus Boulevard, 5 th floor Saint-Laurent, Quebec, H4S 0B5 CANADA	Hitachi Energy USA Inc. Business Number: 871604161 901 Main Campus Drive Raleigh, North Carolina, 27606 USA
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Steps taken to prevent and reduce risks of forced labour and child labour

Hitachi Energy Ltd. uses a number of measures to prevent the use of forced labour in our supply chains. These include internal regulations, codes of conduct, supplier terms and conditions, and we define and employ internal matrixes to flag high risk commodities and geographical areas (and act accordingly). We also rely on tools and technology to identify sourcing risks and employ neutral 3rd parties to assess our suppliers from a Sustainability perspective. Each of these measures are further detailed in the sub-sections of this report.

The structure, activities and supply chains

Hitachi Energy Ltd, a subsidiary of Hitachi Ltd., is a pioneering technology leader. Our leading power and digital technologies, advanced automation systems and open digital platforms transform our customers’ businesses and deliver significant operational and business value. We are contributing pioneering solutions that are making the world’s power grids stronger, smarter, and greener.

Hitachi Energy Ltd, which is headquartered in Switzerland, is supported via multiple subsidiaries (hereinafter, collectively “Hitachi Energy Group”) and operates in more than 90 countries. Globally, the Hitachi Energy Group is sustained by about 44,000 employees and depends on roughly 20,000 direct material and project service suppliers. These suppliers are viewed as an extension of our global enterprise and are integral to Hitachi Energy Group’s long-term success. Hitachi Energy Group has 4 Operating Units – Grid Automation (including the Enterprise Software offering), Grid Integration, Transformers, and High Voltage. Unless stated otherwise in this report, where reference is made to policies or actions implemented by Hitachi Energy Group, such information also applies to the subsidiaries covered in this report.

Hitachi Energy Canada Inc. has four manufacturing sites and employs approximately 1000 employees across several provinces in Canada. Hitachi Energy Canada Inc.’s supply chain consists mainly of two dimensions: semi-finished or finished goods imported from our related affiliates/business partners, and semi-finished and raw materials used in our factory productions. Hitachi Energy USA Inc. has 16 manufacturing sites or offices in the United States and employs roughly 4,900 employees. Hitachi Energy USA Inc. is registered as a non-resident importer with a Canadian Business Number - but does not have a place of business in Canada. The latter entity generally supplies finished goods to the Canadian market that were either produced in our factories in the Unites States, or sourced from a Hitachi Energy Group entity overseas.

Our complex supply chains are global and include finished parts and software from over 50 countries. Typically, these consist of machines and machine parts to support electrical grids. The majority of products and commodities are sourced domestically, and internationally, from the Americas, Europe, East Asia and South Asia. By value, the top 5 countries that export to Canada are the United States, Sweden, Switzerland, Brazil and India.

The policies and due diligence processes in relation to forced labour and child labour

The Hitachi Energy Group [Supplier Code of Conduct](#) (the “Code”), published in 10 different languages, communicates our expectations and performance standards to existing and potential business partners. The Code is part of Hitachi Energy Group’s general terms and conditions of business and sets high standards for ethical business conduct. The Code, which is regularly updated to align with the highest ethical and industry standards, also includes relevant topics ranging from human rights, fair labour conditions, personal data protection, material compliance to health, safety, and environmental and sustainability management.

Hitachi Energy Group operates a supplier registration and prequalification system for new suppliers. The qualification process evaluates potential suppliers on their quality systems, operational parameters, financial stability, along with broad sustainability parameters including health and safety, environment and working conditions. This process requires supplier acknowledgement of our Code covering, amongst other things, topics related to forced labour, modern slavery, and human trafficking. Suppliers may volunteer for onsite assessments to review adherence to our standards, however, it is mandatory for certain suppliers internally defined as “high risk”. These requirements are detailed in our global supplier qualification procedure.

Furthermore, Hitachi Energy Group also purchases lists of known suppliers that are sanctioned or may have been in violation of the United-States’ *Uyghur Forced Labor Prevention Act*. The lists are integrated into our Enterprise Resource Planning (ERP) software and screens every business partner at every stage of the ordering process. The software also examines the beneficial ownership of our business partners to provide transparency on who ultimately controls or owns the partners we work with. Suppliers that appear on any of the aforementioned lists are barred from participation in our supply chains.

In sum, Hitachi Energy Group demonstrates its commitment to Human Rights by making its [guidelines and standards](#) available to the public. The various pillars include: a [Human Rights Policy](#), a [Social Policy](#), the [Employee and Stakeholder Code of Conduct](#), the [Supplier Code of Conduct](#), and the [Conflict Minerals Policy](#). Each of these facets has a dedicated section addressing forced or child labour.

The parts of the business and supply chains that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk

Our major suppliers have or will be assessed by EcoVadis, a third-party partner. EcoVadis is the world’s largest and is a trusted provider of business sustainability ratings, creating a global network of more than 100,000+ rated companies. Furthermore, Hitachi Energy Group itself has been assessed by EcoVadis for its sustainability practices and achieved a “Gold Standard” in 2023. Though the focus is to have the largest suppliers (by spend) assessed by EcoVadis, Hitachi Energy Group also uses a system to rate suppliers according to other types of risk. One element that is considered is the country it is sourced from. This past year, sustainability teams have been reexamining parts of our supply chain and categorizing current suppliers using a risk matrix. Those that are deemed high risk are dealt with accordingly.

Our supply chain includes vendors, exporters, and product inputs from countries alleged to be engaged in labour abuses. Also, Hitachi Energy Group sources certain rare earth and other minerals which have historically been documented as higher risk commodities. In the event that one or more suppliers are deemed to be non-compliant, according to our internal policy, our supply chain management supports action to systematically address each issue. Such actions include capacity building, customized participatory workshops, sharing best practices, jointly

implemented collaborative programs, and transfer of knowledge and expertise. Ultimately, suppliers that Hitachi Energy Group deems non-compliant to our supply chain management program, can be excluded from our supply chain.

As a prerequisite for the qualification and onboarding of new suppliers, Hitachi Energy requires new suppliers to declare any current or future use of forced labour. Hitachi Energy Group believes in the proactive disclosure of non-compliance and supports suppliers to advise of any potential risks in this regard.

Furthermore, Hitachi Energy Group advocates for responsible minerals sourcing. Our units importing small quantities of tantalum, tin, tungsten and gold (3TGs), otherwise known as Conflict Materials, fall within the *Organization for Economic Cooperation and Development's (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* guidelines. Another material of concern, cobalt, is addressed in our [Cobalt Policy](#). As part of our yearly Conflict Minerals program, all identified suppliers are invited to take the Hitachi Energy Group specific web-based training course on Conflict Minerals, which outlines the legal requirements, and communicates our policy. The training also includes guidance for our suppliers on how to complete the Conflict Minerals Reporting Template (CMRT), as developed by the Responsible Minerals Initiative (RMI) of the Responsible Business Alliance (RBA) and the Global eSustainability Initiative (GeSI). In addition, all identified suppliers are required to make an initial Conflict Minerals self-assessment which indicates if the supplier has taken our training course or an equivalent training.

Our policies are outlined in our [Material Compliance Policy](#), which is available publicly.

Any measures taken to remediate any forced labour or child labour

Hitachi Energy Group is not aware of any forced labour in its supply chains and has therefore never had to take corrective measures.

Any measure taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour in its activities and supply chains

Hitachi Energy Group has never had to consider compensation for loss of income resulting from measures to eliminate forced labour.

The training provided to employees on forced labour

For existing suppliers, we have a robust Supplier Sustainability Development Program (the "SSDP"). This program focuses on suppliers with a higher sustainability risk, which includes the risk of modern slavery (including forced labour and child labour as those terms are defined in the Act) and human trafficking. The SSDP prioritizes suppliers according to a risk matrix combining country risk, commodity risks based on operations characteristics, criticality of the supplier, and spend volume. The SSDP program consists of three main elements: training, assessment, and monitoring:

- Training on sustainability priorities is provided to both suppliers and select Hitachi Energy employees;
- On-site assessments to evaluate performance status of suppliers; and
- Improvement plans are monitored to ensure timely completion

Risks related to modern slavery (including forced labour and child labour as those terms are defined in the Act) and human trafficking are specifically addressed in the training programs and assessment protocols. Since the adoption of the Act, formal trainings on how to comply with the requirements have been conducted, and each of these has been documented and logged internally.

How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains

Hitachi Energy Group is a good corporate citizen that has strong internal policies, with the financial means and will to support ethical business standards. Our commitment to Human Rights is manifested through our corporate structure: sustainability teams are embedded in each of our business units, a corporate supply chain management that develops the framework, policies and enforcement mechanisms addressing Human Rights, and a global Head of Sustainability who oversees the multiple facets related to environment concerns and Human Rights.

Carla Vicente

Carla Vicente
President of the Board of Directors of Hitachi Energy Canada Inc.
Date: May 30th, 2024

I have the authority to bind Hitachi Energy Canada Inc.

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 for Hitachi Energy Canada Inc. 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.

Anthony Allard

Anthony Allard
Managing Director Hitachi Energy USA Inc.; Head of North America
Date: May 30th, 2024

I have the authority to bind Hitachi Energy USA Inc.

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 for Hitachi Energy USA Inc. 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.