

Conflict Minerals Report  
Hitachi ABB Power Grids Limited  
For the year ended December 31, 2020

On July 1st, 2020, we launched our new company Hitachi ABB Power Grids which marks the completion of the business transaction forming the joint venture between Hitachi and the Power Grids business of ABB Group. The scope of our procedures included in this Conflict Minerals Report consists of the operations of the Hitachi ABB Power Grids business.

Conflict minerals are defined as cassiterite, columbite-tantalite and wolframite, and their derivatives, which are limited to tin, tantalum and tungsten, as well as gold (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). For example, tin, tantalum, tungsten and gold are each contained respectively in weld wire, capacitors, electronic contacts and electrical connection coatings, each of which are components in many of our products.

This Conflict Minerals Report (CMR) for the calendar year 2020 explains our due diligence efforts including the RCOI to determine whether the 3TG 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 covered countries.

We are committed to engaging with our customers regarding their reporting and disclosure requirements related to conflict 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 and 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 Organisation 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 conflict minerals program within HAPG 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 letters from our supply chain senior management.
- We maintained a dedicated website for material compliance, including a statement on our position on conflict minerals. The "Hitachi ABB Power Grids Policy on Conflict Minerals" with respect to the sourcing of 3TG is published in our website - <https://www.hitachiabb-powergrids.com/about-us/supplying/material-compliance/>

## ***Supplier Engagement***

- We continued to require suppliers to adhere to the “Hitachi ABB Power Grids General Terms and Conditions for Purchase of Goods” which requires our suppliers to:
  - Work towards ensuring that they do not have 3TG sourced from conflict mines in products supplied to HAPG,
  - Comply with the HAPG Supplier Code of Conduct, including the sections relating to conflict minerals compliance,
  - Take the necessary steps to demonstrate that any 3TG contained in the products supplied to HAPG do not originate from mines that support or fund conflict within the covered countries, and
  - 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, using HAPG experts, including product engineers, material experts and research and development personnel. These identified components were then categorized into different levels of risk, depending on the likelihood of 3TG 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 content and amount of products purchased.
- In 2020, we aimed to identify the smelters and refiners in our supply chain through the survey of 865 relevant suppliers. These suppliers identified 333 smelters and refiners of 3TG 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 in our products is based on the responses received from our suppliers.
- For completed surveys, responses were evaluated against a pre-defined 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 conflict minerals 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 2020, we commenced communications with our suppliers who were identified to be sourcing 3TG from high-risk smelters/refiners with the aim of encouraging these smelters/refiners to become validated as conformant by RMI's 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 HAPG, (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. 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 CMR 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 <https://www.hitachiabb-powergrids.com/about-us/supplying/material-compliance>

## **Section 2: Results of the due diligence**

In 2020, we received and accepted completed reporting templates from 92% of our surveyed 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 minerals in our supply chain.

In 2020, our supplier responses identified 333 smelters/refiners as being the source of 3TG in their products. The complete lists of identified smelters/refiners are available in our CMRT which can be obtained by sending request to [in-conflictminerals.pg@hitachi-powergrids.com](mailto:in-conflictminerals.pg@hitachi-powergrids.com).

The following tables provide the number of smelters/refiners identified in our supply chain.

Identified Smelters/Refiners				
	RMAP Conformant Smelters/Refiners <sup>(1)</sup>	RMAP Participating Smelters/Refiners <sup>(2)</sup>	Other Smelters/Refiners <sup>(3)</sup>	Total identified
	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>
Gold	108	6	58	172
Tantalum	37	-	-	37
Tin	54	12	12	78
Tungsten	38	5	3	46
<b>Total</b>	<b>237</b>	<b>23</b>	<b>73</b>	<b>333</b>

### Section 3: Continuous improvement efforts to mitigate risk

During 2021, we plan to take the following steps as part of our due diligence program:

- Continue to work to increase the response rate and quality of supplier responses by:
  - Working directly with our suppliers on the completion of their CMRT including direct engagement of our largest and key suppliers, and
  - Providing additional conflict minerals training to 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 focusing on gold, seeking to bring legitimate non-certified gold smelters into the RMAP program and assess their compliance for certification as RMAP conformant smelters,
- Continue to include a conflict minerals clause in new or renewed supplier contracts that requires suppliers to provide us with necessary 3TG sourcing information,
- Continue to follow the OECD due diligence guidance and be involved in relevant trade associations in order to define and improve best practices and encourage responsible sourcing of 3TG,
- For smelters/refiners which 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 HAPG has 3TG in its products which is not conflict-free, and
- Continue to track uncooperative suppliers and consider terminating our relationship with these suppliers.

## **Section 4: Independent audit**

As HAPG has not concluded on the DRC conflict status for any of its products, this CMR does not require an independent private sector audit. The content of any web site referred to in this report is included for general information only and is not incorporated by reference in this report.

### **Cobalt Due Diligence**

Based on risk sources which had been referenced by the European Commission, which cover armed conflicts, weak government, and human right abuses, HAPG furthermore conducts its specific mineral risk assessment for identifying further relevant minerals beyond 3TG. From 2020, Cobalt has been identified and added to HAPG Due Diligence processes, as a pilot.

As RMI additionally developed an audit standard and reporting template (CRT) for Cobalt, in addition to its 3TG related Due Diligence activities, HAPG conducted its first Supply Chain Due Diligence for Cobalt this year, and which focused on our battery suppliers. Our plan is to move from a pilot phase to a complete Cobalt program from 2021 reporting year.

Further information on our Responsible Minerals Sourcing Policy can be found at <https://www.hitachiabb-powergrids.com/about-us/supplying/material-compliance>