

2020-2021

# Modern Slavery Statement

Minimising the risk of modern slavery

## Introduction and business overview

1. This statement, which is intended to meet the requirements of the Modern Slavery Act 2018 (Cth) (Act), describes the steps taken by Hitachi Energy Australia Pty Ltd ACN 010 087 608 (Hitachi Energy Australia, we, us, our) as the reporting entity during the period 1 April 2020 to 31 March 2021 (Reporting Period) to seek to minimise the risk of modern slavery occurring in our business and supply chains.

### Our structure and operations

2. Hitachi Energy Australia is a proprietary company incorporated in Australia with its registered offices at Level 12, 225 George St, Sydney NSW 2000.
3. Hitachi Energy is part of the Hitachi Energy group of companies who are global leaders in power technologies (Hitachi Energy). The Hitachi Energy Group in its current form was created in 2018, but our history spans over 120 years. In 2020, Hitachi and ABB's Power Grids' business came together in a joint venture to create a new global leader in pioneering and digital technologies. As individual companies, both had been innovating and improving technology for over a century. As Hitachi Energy, we bring forward and build on this remarkable heritage to tackle today's challenges facing business and society.
4. Hitachi Energy Australia's major shareholder (80.1%) is Hitachi Energy Limited, a company domiciled in Switzerland, which is part of the Hitachi Group which is headquartered in Tokyo, Japan with the remaining shareholding (19.9%) held by ABB Ltd.
5. To deliver maximum value, Hitachi Energy has organised its operations around four global business units and has local offices and research centres spanning 90 countries. This highly networked design enables Hitachi Energy's 36,000 experts to stay close to customers (fostering a strong awareness and knowledge of local market operating conditions), connecting the latest pioneering developments and solutions, competence, and reference points from our global business units.
6. Our four global business units are:
  - a. Grid Automation: Our grid automation hardware, software and services portfolio unites deep domain knowledge and innovative technologies that enable customers across the globe to optimise the critical systems that power, move and connect us;
  - b. Grid Integration: Our grid integration portfolio spans a wide range of transmission and substation applications, which



facilitate reliable and efficient system integration of the future digital electric network with minimum environmental impact. Grid Integration incorporates the integrated systems, solutions and services of our business' DC and AC fields, including HVDC, Substations, FACTS, offshore wind connections, semiconductors and power consulting, for utility and industrial grid applications, as well as e-transportation solutions;

- c. High Voltage products: We are a leader in high-voltage technology, offering a wide range of high-voltage products up to 1,200-kilovolt (kV). We help to enhance the safety, reliability and efficiency of power networks while minimising environmental impact. Our technology leadership continues to facilitate innovations in areas such as ultra-high-voltage power transmission, enabling smart grids, and enhancing eco-efficiency; and
- e. Transformers: Through our innovative and diverse transformers team and pioneering technology we transform energy to add social, environmental and economic value powering future generations.



### Company approach and principals

7. The Act requires prescribed entities to report on the risks of modern slavery in their operations and supply chains and to report the actions they are taking to address those risks.
8. Hitachi Energy Australia is committed to ensuring there is transparency in its business and in its approach to tackling modern slavery throughout its supply chains. We fully acknowledge our responsibility to respect human rights as set out in the Act and the International Bill of Human Rights and are committed to implementing the United Nations Guiding Principles on Business and Human Rights. Respect for the dignity of the individual and for the importance of human rights forms the basis of the behaviours we expect from everyone who works for us, either as a direct Hitachi Energy Australia employee, or indirectly through our supply chain. We do not accept any form of discrimination, harassment or bullying within Hitachi Energy Australia or its supply chain. To this end, we require all managers to implement processes designed to ensure equality of opportunity and inclusion for all Hitachi Energy Australia employees as well as for individuals employed in our supply chain, and that suppliers take measures to avoid any form of forced, bonded or compulsory labour (or any other kind of modern slavery or human trafficking). Recognising the extremely complex nature of modern slavery, we continue to emphasise the importance of collaboration and learning from others.
9. For the past several years, Hitachi Energy has been recognised worldwide and within its industry for ethical business practices by the research based Ethisphere® Institute including Compliance Leader Verification™ and Anti-Bribery Management System Verification™. Hitachi Energy also contributes to various organisations and initiatives related to integrity.
10. To prepare this statement Hitachi Energy Australia undertook a detailed assessment of its operations and supply chains. We also established a working group made up of stakeholders from various departments to review our processes and procedures and to better understand our supply chain, the potential risks to our organisation and the actions being taken in support of the objectives of the Act.

### Our supply chains

11. As a global technology leader in the energy sector Hitachi Energy has a global supply chain supporting operations in 90 countries. Hitachi Energy Australia sources materials and services from a

variety of local and overseas sources. These materials and services are made up of three major categories as follows:

- a. Direct Materials and Services: Sourced from both wholly owned (Internal) Hitachi Energy Business Units and third-party suppliers based locally and abroad. These include transformers, capacitors, switch gear, surge arrestors, relays and engineering services;
- b. Indirect Materials and Services: Sourced through third-party suppliers who engage suppliers locally and abroad; and
- c. Transport and Logistics Services: Sourced from both global and domestic service providers.

Hitachi Energy Australia is committed to high standards of integrity, ethics and sustainability and has a zero-tolerance policy when it comes to unethical business behaviour, such as bribery, corruption and forced labour. We expect all our suppliers to adhere to our standards and to conduct their business ethically and comply with all applicable laws and regulations.

### Modern slavery risk assessment and management

12. We consider that the risk of modern slavery amongst our direct employees is low given that we have a predominately professional workforce. Background checks such as right to work in Australia, age verification and an assessment of qualifications for the relevant tasks are undertaken prior to employment to ensure that all legal requirements are met.
13. The most significant modern slavery risks associated with our supply chain during the Reporting Period were identified as:
  - a. Direct materials and services sourced from emerging markets where there is higher risk of modern slavery and/or human trafficking;
  - b. Indirect services provided by third-party contractors such as cleaning, site works, labour hire, service contractors; and
  - c. Local and international logistics providers, especially shipping from emerging markets.
14. During the Reporting Period, various measures were used to manage and reduce the risk of modern slavery practices occurring in our operations and supply chains including:
  - a. Requiring all suppliers in emerging markets to adhere to our Supplier Sustainability Development Program (SSDP);

- b. Requiring all labour hire providers and service contractors to be pre-qualified and contracted;
- c. Enforcing strict policies of only using contracted and globally approved logistics providers with policies and procedures in place that address modern slavery;
- d. Maintaining and strengthening our:
  - i human rights policies and procedures; and
  - ii supply chain management policies and procedures;
- e. Requiring all suppliers to sign up to and adhere to our Supplier Code of Conduct; and
- f. Employee training and engagement.

These are discussed in further detail below.

#### Human rights policies and procedures

- 15. Hitachi Energy Australia has several key policies in place to addressing the prohibition of modern slavery within its operations and supply chain. These include our Human Rights Policy and procedures which address how we identify, assess and manage human rights impacts within our supply chain and ensure compliance with internationally recognised human rights. These policies are clear that there is no place in Hitachi Energy Australia's business or within the businesses of our contractors and suppliers for modern slavery and human trafficking. Except for an update to our Supplier Code of Conduct (discussed further below), these policies remained substantively unchanged during the Reporting Period.
- 16. Each employee is responsible for ensuring that their conduct and the conduct of anyone reporting to the employee fully comply with the applicable laws and all our policies. Multiple channels, including a web-based reporting system and a business ethics telephone hotline run by a third-party are available to Hitachi Energy Australia's employees and external stakeholders to report integrity concerns,

including any human rights or modern slavery concerns. All reports received are reviewed and appropriately investigated, exposures are mitigated, and disciplinary actions are taken as applicable and appropriate, including termination of employment.

#### Supply chain management policies and procedures

- 17. Hitachi Energy's Supplier Code of Conduct, published in 10 different languages, communicates expectations and performance standards to existing and potential business partners and has recently been updated to further strengthen our zero-tolerance stance on child, forced labour and modern slavery. Suppliers are required to commit to the Supplier Code of Conduct as part of Hitachi Energy's General Terms and Conditions.
- 18. We also operate a centralised supplier registration and prequalification system for new suppliers. The qualification process evaluates the performance of potential suppliers on broad sustainability parameters such as health and safety, environment and working conditions, as well as quality, compliance and financial factors. This process includes a review of supplier performance related to modern slavery and human trafficking.
- 19. For existing suppliers, we have a robust program, the Supplier Sustainability Development Program that focuses on suppliers with a higher sustainability risk (which includes modern slavery and human trafficking risks). The SSDP prioritises suppliers according to a risk matrix combining country risk, commodity risks based on operations characteristics, criticality of the supplier and spend volume. The program consists of three main elements: training, assessment, and monitoring. Training on sustainability priorities is provided for both suppliers and Hitachi Energy Australia's employees, on-site assessments evaluate performance status, and improvement plans are monitored to ensure timely completion. Risks related to modern slavery and human trafficking are specifically addressed in the training programs and assessment protocols.



20. We focus on tier one suppliers in priority countries and each year work to expand the geographical reach of the program.
21. In 2020, Hitachi Energy assessed 76 high risk suppliers under the SSDP. As of 2020 we had identified 2048 risks and mitigated 1677 of them. Notwithstanding the identification of these risks, neither the on-site assessments nor our other supplier due diligence processes indicated the presence or use of modern slavery or human trafficking in Hitachi Energy supply chain.
22. For every area of non-compliance identified during our supplier assessments, we launch a supplier support action to systematically address each issue in turn. Our support actions include capacity building, customised participatory workshops, sharing best practices, jointly implemented collaborative programs, and transfer of knowledge and expertise.
23. We believe in working with suppliers to address non-compliance and improve performance. We apply timelines for corrective action according to the severity of the finding and regularly monitor progress, however, there are consequences for suppliers who are

unwilling to align their performance standards with our requirements including the cessation of any further business between the parties.

#### Employee training and engagement

24. Throughout 2020, we have communicated with our employees on topics related to human rights and modern slavery and encouraged them to attend online training. We also shared additional information on modern slavery with employees through internal communication channels to broaden their knowledge.

#### Assessing our effectiveness in combating modern slavery

25. We measure how effective we have been to ensure that modern slavery is not present in any part of our business or supply chains using various metrics which have been summarised in the following table.

Action	Metric	Details
Human rights policies and procedures	Number of people who reported issues concerning modern slavery.	During the Reporting Period, there were no incidents re-reported concerning allegations of modern slavery within our operations or supply chains.
Supply chain management policies and procedures	Number of instances of the presence or use of modern slavery or human trafficking.	During the Reporting Period, neither our on-site assessments nor our other supplier due diligence processes indicated the presence or use of modern slavery or human trafficking in Hitachi Energy's supply chains.
	Number of suppliers who re-ceived training addressing modern slavery as part of the SSDP.	During the Reporting Period, seventy (70) suppliers received training addressing modern slavery as part of the SSDP.
	Number of suppliers with whom business has been terminated due to continued non-compliance.	During the Reporting Period, the Hitachi Energy Group terminated business with two (2) suppliers due to unsatisfactory progress.
Employee training and engagement	Number of people within our business who received modern slavery training	During the Reporting Period, we adopted employee training and engagement set out in paragraphs 21 and 22 above.

#### Oversight and governance

This modern slavery statement was approved by the Board of Hitachi Energy Australia Pty Ltd (ACN 010 087 608) on 30 November 2021.



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