

## **MITSUBISHI HEAVY INDUSTRIES AIR – CONDITIONING EUROPE, LTD.**

### **MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT**

Mitsubishi Heavy Industries Air-Conditioning Europe, Ltd. (MHIAE) modern slavery and human trafficking statement for the financial year ending 31 March 2019 pursuant to section 54 of the Modern Slavery Act 2015. This statement has been approved by the board of directors of MHIAE.

#### **OUR BUSINESS, STRUCTURE AND SUPPLY CHAINS**

MHIAE is a subsidiary of Mitsubishi Heavy Industries Thermal Systems, Ltd. (MTH) which is headquartered in Tokyo, Japan. MTH provides innovative solutions for HVAC (Heating, Ventilating and Air-Conditioning) around the globe in order to enhance and enrich people's life and at the same time develop products that contribute to efficient energy usage and reduction of CO2 emissions. MTH business includes centrifugal chillers, heat pumps, transportation refrigerant units, and room & commercial air conditioners.

MHIAE is headquartered in London where it was founded in 2013 and in the year to 31 March 2019 MHIAE had no branches. The role of MHIAE is to distribute Mitsubishi Heavy Industries Air-Conditioning systems and heat pumps for home and commercial use to distributors in Europe and the CIS region. MHIAE also acts as the European representative on product and environmental issues for MTH. In order to continue MTH's representation in Europe, MHIAE established a subsidiary in the Netherlands on 29 March 2019.

Further details can be found at <http://www.mhiae.com>

The majority of our purchases consist of air conditioning units & equipment and spare parts manufactured by Mitsubishi Heavy Industries – Mahajak Air Conditioners Co., Ltd. (MACO) in Thailand; which is a joint venture between Mitsubishi Heavy Industries Ltd., Japan (MHI), and Mahajak Group in Thailand. MACO manufactures high quality air – conditioners with capacity for more than 30 million units under the “Mitsubishi Heavy Industries” brand. MACO has gained the trust and reliance of its customers for high quality products, on – time delivery, reasonable price and environmentally friendly technologies. As part of MHI group, MACO abides by the same Global Code of Conduct and Procurement policy as described below in our policies.

In general, MHIAE does not procure mass produced components, and due to the nature of our business activities, we do not work with suppliers who are involved in seasonal activities.

#### **OUR POLICIES ON SLAVERY AND HUMAN TRAFFICKING**

MHIAE is committed to taking effective steps to assess, prevent, and mitigate the risk of modern slavery in our operations and supply chain. We aim to be transparent about these steps and expect the same of our suppliers and contractors.

In 2015, we adopted by board resolution the MHI Group Global Code of Conduct. The Code prohibits the use of compulsory or forced labour and child labour, and requires us to maintain a framework of fair and just remuneration, fair working hours and benefits.

The Code is available at:

<http://www.mhi-global.com/company/aboutmhi/policy/ebook/codeofconduct/index.html>

In 2018, we continued to enhance the ways we work with our suppliers and our contractors, to ensure we apply common standards and philosophies to help the eradication of modern slavery

and human trafficking. For example, when we execute procurement activities, we adhere to the MHI Group Procurement Policy and its core values of Openness, Fairness, Partnership and Compliance.

The MHI Group procurement policy is available at:

<https://www.mhi.com/company/procurement/policy/>

In the past year, the MHI Group has introduced Global Policies and Procedures, including in relation to procurement activities. As part of this procedure we execute self-assessments on compliance within our supply chain and procurement processes. This has helped us to develop a better understanding of the actors in our supply chain. We ensure consistent communication of the Group Global Code of Conduct throughout our business and management at all levels, including: direct and interactive communication to new employees on induction; at regular General Manager meetings; through publication of the Code of Conduct on our internal and external websites; and the distribution of a Code of Conduct booklet to all our staff who are required annually to declare that they have read and understood the same.

#### **DUE DILIGENCE PROCESSES**

In order to identify and respond to modern slavery and human trafficking risks, we adopt a risk-based approach and have put in place the following processes:

- We identify, assess and continually monitor risk areas in our business and supply chains. Through internal audits we verify our compliance and test procurement processes and individual procurement transactions. Our Internal Audit function also independently reviews and assesses risks during preparations of audits. We only work with reputable vendors selected and assessed by our parent company. We support our parent company to ensure such assessments remain current and up to date.
- To ensure that our employees know how to identify the warning signs of modern slavery and can take appropriate action in response, we ensure that they receive focussed training on modern slavery in particular and the MHI Group Code of Conduct and Global Policies and Procedures in general. Further details are provided below under the heading "Training".
- We protect whistle blowers, including on issues related to modern slavery. This protection is communicated to all our employees through our employee handbook and through our website as part of our compliance statement. In 2018 we have implemented a system with Ethics Point, an external service provider which allows the submission of issues and concerns completely anonymously. The implementation and go-live of this system has been communicated to all our employees.
- We ensure that any employee with a grievance, including in circumstances which might relate to modern slavery, is listened to and treated fairly, according to our work place grievance mechanism. To ensure transparency and accessibility, this grievance mechanism is integrated into our Staff Handbook and sets out the process by which grievances are investigated and the protections which are offered to the employee.

## **STEPS TO ASSESS AND MANAGE RISKS**

Several functions in our organization support our measures to assess and manage modern slavery and human trafficking risks. These include amongst others:

- Corporate Planning, through their review of budgets and governance activities.
- Finance, Accounting and Tax, through their review of financial transactions, budgets and tax governance.
- Internal Audit and Compliance, as the independent third line of defence within our company. Our Internal Audit team operates in line with the guidelines of the Institute of Internal Auditors UK & Ireland.
- Corporate Communications, through their interactions with internal and external stakeholders, support the identification of potential instances of non-compliance.
- Purchasing, through the assessment of vendors and self assessment of procurement activities.
- Legal, through interaction with staff and management and with external law firms and legal advisors, ensure that we remain at the forefront of changes in legislation and corporate requirements.
- Human Resources, through development of the relevant policies, which cover our staff's interaction with internal and external parties. (E.g. Employee Code of Conduct, Equal Opportunity and others )

Our Managing Director monitors all compliance activities very closely. We conduct our audits (internal & external) periodically and report any findings to the Managing Director.

Our company has a flat organization structure with open communication. Employees are encouraged to discuss concerns with their supervisors without fear of repercussions. This structure allows us to identify issues quickly when they would occur.

## **TRAINING**

To ensure that our staff understand and can identify modern slavery and human trafficking risks in our supply chains and business, we continue to develop and provide appropriate training. In particular, in the past twelve months, we have provided all MHIAE staff with access to an in-depth web training produced by our external expert legal advisors, Hogan Lovells, entitled "Modern Slavery and MHI's business and supply chain". The training seeks to raise awareness of the warning signs of Modern Slavery and how they might arise in the specific context of our operations and supply chain. Our legal and compliance teams also engaged in a focussed seminar on Modern Slavery and how it intersects with the responsibility to respect human rights under the UN Guiding Principles. As a UK subsidiary of MHI group , we also have access to MHI's web training.

In addition, all employees are required annually to complete an e-learning course on MHI Group's Global Compliance Policy. We closely monitor the results of this training course.

## **OUR EFFECTIVENESS IN ELIMINATING SLAVERY AND HUMAN TRAFFICKING**

To promote the effectiveness of the steps outlined in this statement, during the last 12 months, MHIAE has taken further steps to foster a culture that promotes awareness of modern slavery and

how it can arise in the sectors in which we operate and purchase goods and services. We have continued to maintain and publicise a clear organisational policy and ethos, which rewards the identification of risk and promotes an effective response.

This statement was approved by the board of directors of MHIE on 30 August 2019

A handwritten signature in black ink, appearing to read 'R. Kariya', with a long horizontal line extending to the right.

Ryoichi Kariya  
Managing Director  
Mitsubishi Heavy Industries Air-Conditioning Europe, Ltd.