



AIR CONDITIONING

# **Fujitsu General Air Conditioning UK Limited**

## **Modern Slavery Transparency Statement**

**Publication Date: September 30, 2021**

**Executive Owner: Hirofumi Fuji**

## Contents

1. Introduction.....	2
2. Our Business, Structure and Supply Chains .....	2
3. Our Policies.....	4
4. Risks of Modern Slavery Practices .....	5
5. Due Diligence Processes .....	7
6. Training.....	8
7. Effectiveness.....	8
8. Approval.....	8

## 1. Introduction

At Fujitsu General Air Conditioning UK (FGACUK) we acknowledge that the manufacturing industry presents a high-risk for modern slavery and that our products could be made using, or provide support for, modern slavery. Ethical behaviour is of the utmost importance to FGACUK and we take our commitment to preventing modern slavery very seriously.

Section 54 of the UK Modern Slavery Act (MSA) 2015 requires businesses to disclose information relating to their efforts to assess and address the risks of modern slavery and human trafficking in their operations and supply chains. The following Statement responds to these requirements and outlines our efforts to combat modern slavery during the financial year ended 31 March 2021.

The modern slavery reporting entity is Fujitsu General Air Conditioning UK (FGACUK) with its UK Head Office at Unit 150, Centennial Park, Centennial Avenue, Elstree, Hertfordshire, WD6 3SG, U.K.

## 2. Our Business, Structure and Supply Chains

### Our Business

FGACUK purchases air conditioners produced by Fujitsu General Group's air conditioner manufacturing subsidiaries and sells them in the UK. FGACUK's air conditioners are the result of more than 60 years of advanced design and development.

FGACUK employs 31 people in the UK. FGACUK procures and imports finished goods and spare parts into the UK and provides post-sales support. FGACUK uses a third party warehouse company for product storage and delivery, along with its own warehouse for spare part storage. FGACUK sells its products to wholesalers, AC specialists and installers.

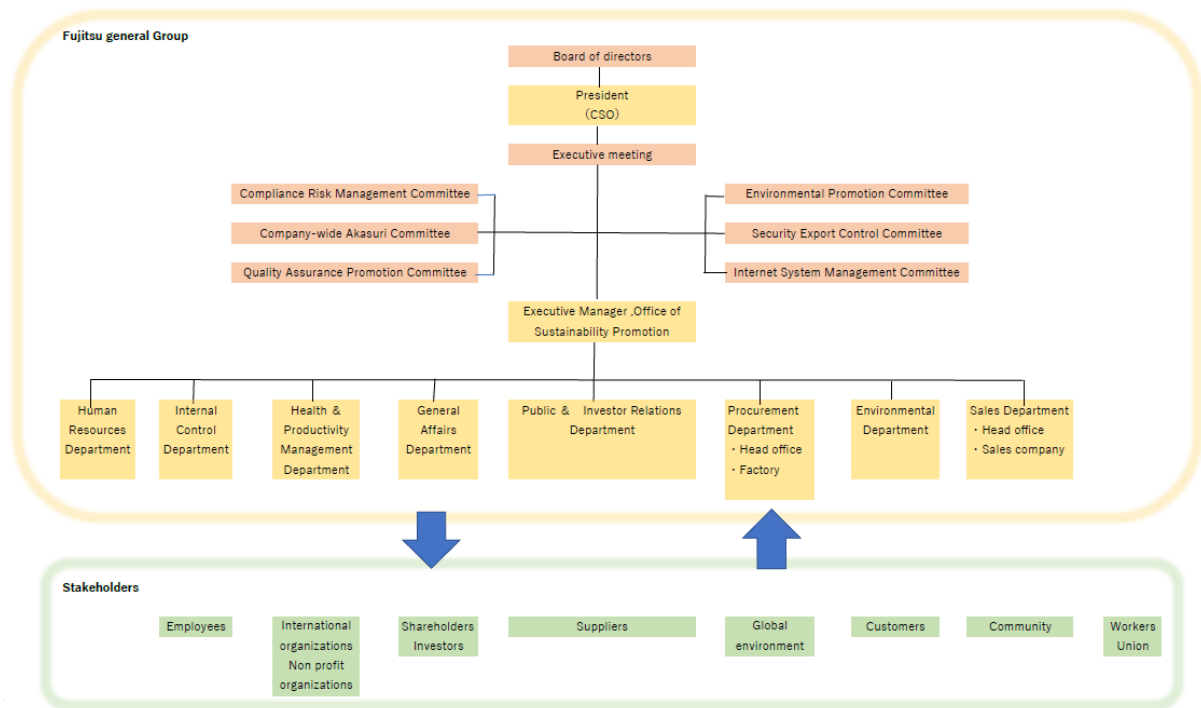
### Our Structure

FGACUK is a majority owned subsidiary of Fujitsu General (Euro) GmbH and a minority owned subsidiary of Eurofred S.A (Spain). Fujitsu General (Euro) GmbH is wholly owned by Fujitsu General Limited (FGL). FGL's shares are traded on the first section of the Tokyo Stock Exchange (Stock Code: 6755).

FGL is engaged in product and component development, manufacture, sales, and services for both the air conditioners and telecommunications fields. FGL performs product research and development primarily in Japan. FGL has wholly owned subsidiaries in Thailand and China that carry out significant product development and most manufacturing activities. FGL, together with its subsidiary undertakings (including FGACUK) is comprised within the so-called Fujitsu General Group (FGG).

This year, FGL became a signatory of the United Nations Global Compact (UNGC). The UNGC is an initiative for companies that are committed to integrating ten corporate responsibility principles in their business operations. The ten principles cover the areas of human rights, labour, environment and anti-corruption.

FGG designs, manufactures, distributes, and sells its products primarily using its own personnel and facilities. FGG manufactures and sells air conditioners, information and communications systems and electronics parts and devices.



## Our Supply Chains

Most relevant to the supply chain of FGACUK are the following FGG entities:

- Fujitsu General (Thailand) Co., Limited was established in 1991 and manufactures air conditioners. Fujitsu General (Thailand) Co., Limited opened its second manufacturing plant in 2019.
- Fujitsu General (Shanghai) Co., Ltd was established in 1994 and became the operator of an air conditioning technology centre in 2005.
- FGA (Thailand) Co., Ltd was established in 1998 to manufacture motors for air conditioners in Thailand and commenced manufacturing compressors in 2009.
- Fujitsu General Air Conditioning R&D (Thailand) Co., Ltd was established to conduct product and technology development in Thailand in 1999 and became a centre for research and development in 2016.
- Fujitsu General Central Air-Conditioner (Wuxi) Co. Ltd. was established in 2006 as a subsidiary to manufacture, market, and service VRF air conditioners in China.
- Fujitsu General Laboratories Limited was established in 2016 in Japan to replace Fujitsu General Institute of Air-Conditioning Technology Limited and step up the research and development of advanced technologies for the Fujitsu General Group.

FGACUK also uses a third party warehouse company for product storage and delivery.

## Red Flags and Potential Risk Areas

Modern slavery can take many forms; of most relevance to FGACUK is the risk that manufacturers in the company's supply chain might use forced labour, debt bondage or child labour. FGACUK recognises the possibility that modern slavery practices may exist in the operations of service and parts suppliers that support its operations in Thailand and China, where forced labour, debt bondage and child labour are more prevalent in the manufacturing sector.

The International Labour Organisation (ILO) has estimated that more than 40 million people are in some form of slavery today and that approximately 24.9 million of those are in forced labour. The International Organisation for Migration estimates that 62% of people living in modern slavery are in the Asia-Pacific region and that more than US \$51.8 billion each year is made in illegal profits in Asia from trafficking in forced labour. FGACUK recognises that it has independent responsibility to combat modern slavery and has taken steps to implement the recommendations of the UN Guiding Principles on Business and Human Rights.

### 3. Our Policies

FGG's response to modern slavery is led by Managing Director, Masataka Eto, Head of Sustainability and General Manager of the CSR Promotion Division at the Head Office. Day-to-day responsibility for modern slavery within each subsidiary of FGG sits with the Chief Executive Officer of each business unit (Hirofumi Fuji, FGACUK).

An Office of Sustainability Promotion has been established comprising the General Managers of Procurement, Public & Investor Relations General Affairs, Human Resources and Environment. The policies of CSR are implemented by the Office of Sustainability Promotion. The Executive Manager of Office of Sustainability Promotion and the General Manager of the CSR Promotion Division are overseen by Masataka Eto, Corporate Senior Vice President.

The CSR Promotion Division develops and reviews the CSR Procurement Guidelines and conducts on-site audits to ensure their effectiveness. The CSR Promotion Division is responsible for the process of implementing the FG Group's CSR activities throughout the supply chain. The Office of CSR Promotions reviewed the CSR Procurement Guidelines for effectiveness and produced an updated version in August 2020.

As a subsidiary of FGL, FGACUK takes its corporate social responsibilities seriously. FGACUK is required to comply with FGL policies and regulations, including the Corporate Social Responsibility (CSR) Guidelines (CSR Procurement Guidelines).

#### **Fujitsu General Way – Code of Conduct**

Ethical behaviour is of the utmost importance to FGACUK and our commitment to instilling this within our operations begins with the Fujitsu General Way Code of Conduct ("The Code"). The Code sets out the expected behaviours of our people, including to act ethically and to respect human rights. We conduct e-learning for our employees on the Code, and it is communicated to all employees at least once a year.

#### **FGG Human Rights Policy**

Our Human Rights Policy defines our commitment to respecting international norms on human rights, such as The UN Guiding Principles on Business and Human Rights and the ILO Declaration on Fundamental Principles at Work. This is achieved through exercising due diligence to identify and prevent human rights violations, implementing redress mechanisms where appropriate, providing education and training to executives and staff, and being transparent with regard to our efforts to protect human rights.

#### **CSR Procurement Guidelines**

Our CSR Procurement Guidelines are based on the RBA Code of Conduct (version 6.0) and the Supply Chain CSR Promotion Guidebook issued by the material committee of Japan Electronics and Information Technology Industries Association (an industry association representing Japan in the IT and electronics sector).

The CSR Procurement Guidelines applies the principles expressed in the ILO Declaration of Basic Principles and Rights in Labour, The Universal Declaration of Human Rights, The UN Guiding Principles on Business and Human Rights and The Sustainable Development Goals, adopted by the United Nations.

The CSR Procurement Guidelines specifically prohibit or exclude products, components and minerals that give rise to conflict, forced, bonded, involuntary or exploitative prison labour, slavery, trafficking of persons and child labour at any stage of the manufacturing process. It also includes provisions around harassment, discrimination, inhumane treatment, respecting trade unions and collective bargaining, health & safety, sanitation and grievance mechanisms.

The CSR Procurement Guidelines have been or are being implemented with FGL's subsidiaries (including FGACUK) throughout the world.

## 4. Risks of Modern Slavery Practices

FGACUK recognises the possibility that modern slavery practices may exist in the operations of service and parts suppliers that support its operations in Thailand and China.

According to the Global Slavery Index issued by The Walk Free Foundation, in 2017 there were more than 62.1 million migrants in the Asia-Pacific region. Migration within the region is most often from developing countries in the South to the more developed countries in the North. The migrating workers are often unskilled, uneducated or poorly educated and at a significant economic disadvantage in their new work environment.

FGACUK recognises a risk that migrating workers employed in the Asia-Pacific might be subject to high service fees from recruitment agencies, labour placement organisations and employers. There is a risk that their travel identity documents may be taken by the labour service provider or employer so that they cannot leave or find a different or better paid position. There is also a risk that underage workers may be engaged. In summary, FGACUK recognises a need to combat the possibility that organisations within its supply chain are using forced labour, employees are subject to debt bondage or child labour is being used.

The factors listed in the previous paragraph contribute to a risk that individual workers in the rapidly growing economies of Thailand and China may suffer exploitation in the form of modern slavery.

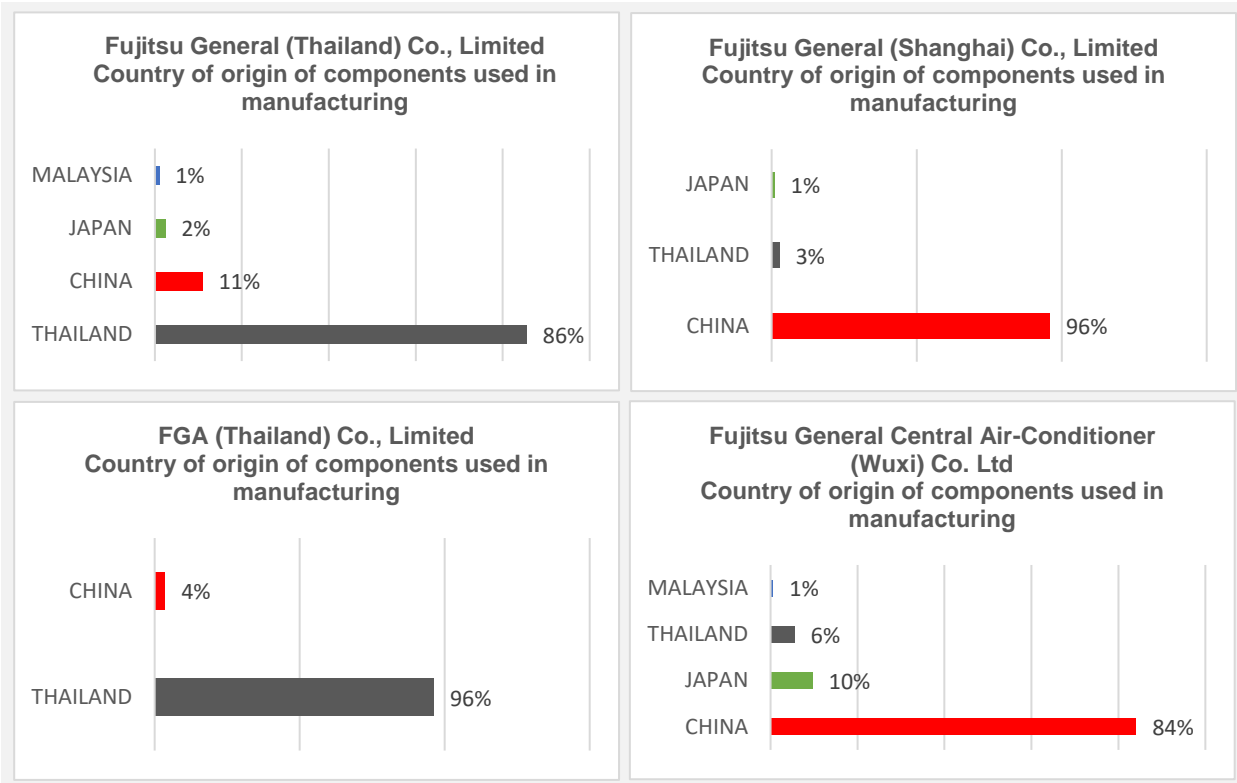
In terms of prevalence, the Global Slavery Index 2018 gives China a low prevalence rating and Thailand a high prevalence rating, estimating 2.8 victims per thousand and 8.9 victims per thousand respectively (see page 31 table 1 of the Asia and the Pacific Report). Although the Global Slavery Index gave China a low prevalence rating in 2018, recent news articles about Uyghur forced labour in Xinjiang suggest that the prevalence of modern slavery could be higher than the 2018 rating. China has also been found to have the highest absolute number of people living in modern slavery.

On page 34 (table 2) Thailand and China have similar ratings of 51.1 and 50.6 in terms of vulnerability to modern slavery by country, ranked 12<sup>th</sup> and 13<sup>th</sup>, respectively. However, it should be noted that Thailand's high rating is partly a result of the conflict in Thailand's southern border. FGG does not have any facilities in Thailand's southern provinces. Thailand and China are ranked 5<sup>th</sup> and 20<sup>th</sup> respectively in the region based on each country's government response to issues associated with modern slavery between 2016 and 2018.

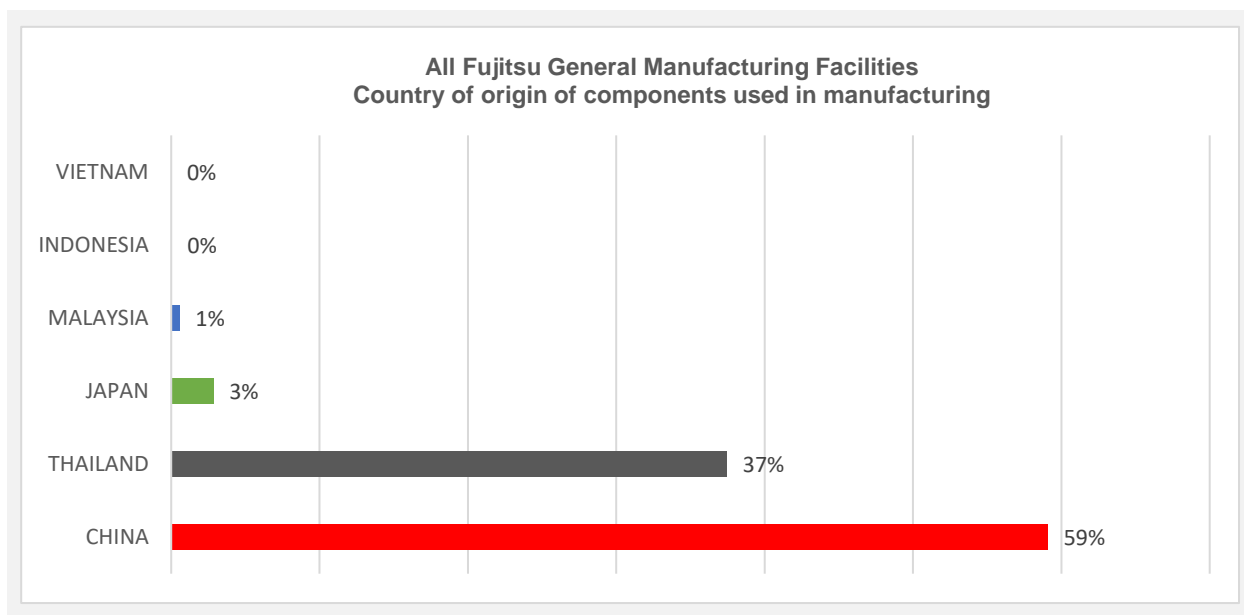
FGACUK notes that laptops, computers and mobile phones manufactured in China are the top-rated category of product at risk of modern slavery, according to table 3 of the Global Slavery Index report. Although FGACUK does not import or sell laptops, computers or mobile phones, the manufacturing processes associated with consumer electronics is considered analogous to processes used to construct air-conditioners, and therefore FGACUK recognises a potential risk in the manufacture of such products.

## FGL Manufacturing Facilities

The table below summarises the source of components across FGL’s manufacturing facilities in FY20/21:



The table below is a summary of the source of components across all manufacturing facilities in FY20/21:



## 5. Due Diligence Processes

### Operations

FGCACUK performs background checks on all employees, including identity verification, to confirm age and place of residence. The Rules of Employment stipulates the minimum age for employees employed by the Company.

All employees receive training on the Fujitsu General Way Code of Conduct ("The Code"), which sets out the expected behaviours of our people. The Code is also communicated to all employees at least once a year. We use internal controls to monitor the compliance of our employees, and in the case of non-compliance we take action in accordance with the Employment Regulations.

A corporate ethics helpline has been established and is in operation. The helpline is available to any officers and employees who work for FGG (including FGACUK), temporary transferred employees and temporary staff who come across unethical business conduct or behaviour, including suspected instances of modern slavery. Reporting through the corporate ethics helpline can be made anonymously. Employees are made aware of the helpline through the internal portal and via regular emails.

Responsibility for investigating and mitigating the risks of modern slavery sits with the CSR Promotion Division at the Head Office, in conjunction with the relevant departments.

### Supply Chain

#### *Adherence to CSR Procurement Guidelines*

Since November 2019, suppliers of FGG are asked to agree to the CSR Procurement Guidelines prior to on-boarding. For suppliers on-boarded prior to November 2019, consent was obtained after on-boarding. As of March 31, 2021, 1039 out of 1075 companies signed up, using the CSR Procurement Guidelines consent confirmation form. Of the suppliers that have signed up using the guidelines, 613 are in Japan, 270 are in China and 156 are in Thailand. FGL's top 10 suppliers have agreed to comply with the CSR Procurement Guidelines. The top ten factories that supply FG Shanghai (the group subsidiary undertaking with the higher level of procurement) have agreed to comply with ISO 14001 and have been inspected to confirm compliance of working conditions in the factory.

Commencing in November of 2019, FGL assessed suppliers for compliance with the CSR Procurement Guidelines, post on-boarding. The CSR Procurement Guidelines set criteria for the evaluation and selection of suppliers.

#### *Supplier audits*

FGL select suppliers for audits based on spend, how critical the supplier is to the business, country risk and the relationship with the supplier.

The review process is conducted by the CSR Promotion Division according to rules created and implemented by the Division:

- Before a supplier is audited, they are requested to complete a self-assessment questionnaire
- Then, the CSR Promotion Division conducts a CSR local audit using a detailed version of the assessment questionnaire, and compares the results of the self-assessment with the results of the on-site audit.
- Having reviewed the results, the CSR Promotion Division provides guidance on improvements and corrective actions to the supplier.

The aim of the CSR Procurement Guideline questionnaires and local audits is to work with suppliers to improve their compliance and performance over time by creating an incentive for improvement and providing support to suppliers that are willing to invest and improve.

During the fiscal year 2019, FGL requested that its suppliers complete the CSR Procurement Guidelines questionnaire and performed three on-site audits in China (November 2019) and three on-site audits in Thailand (September and December of 2019).



FGL planned to conduct nine local audits in the fiscal year 2020, but they were put on hold due to COVID-19. In lieu of the local audits, FGL requested that its suppliers complete the CSR Procurement Guidelines questionnaire. Seven suppliers in Japan, four in China and five in Thailand completed the questionnaire in FY2020. The survey did not uncover any modern slavery issues.

We have not identified any cases of modern slavery in our operations or supply chain through our reviews and audits to-date.

## 6. Training

All employees receive training on human rights via e-learning as part of the Fujitsu General Way Code of Conduct training ("The Code"). The Code is communicated to all employees at least once a year.

Commencing in November of 2019, FGL started to provide CSR Procurement Guidelines training for suppliers, to highlight and explain the CSR initiatives and guidelines. Briefing sessions have been held for suppliers across Japan, China and Thailand.

## 7. Effectiveness

FGACUK recognises that our review and assessment of our actions to identify and address modern slavery risks across our operations and supply chain will be an ongoing and evolving process. We use the following Key Performance Indicators (KPI's) to better understand the effectiveness of our approach to managing modern slavery risks:

- 1) Ensuring all suppliers have signed up to the CSR Procurement Guidelines
- 2) Implementing the CSR Procurement Guidelines self-check questionnaire
- 3) Conducting on-site audits using the detailed version of the questionnaire (target number of suppliers per year: Nine)

Due to the impact of COVID-19, we did not complete these targets in 2020.

Next year, we aim to work towards meeting our KPI's (if possible, COVID-19 permitting) and to implement a new Policy clarifying that we do not tolerate child labour or forced labour in our company or in our supply chain.

Over subsequent reporting periods we will continue to review and evaluate these KPI's and develop future metrics to assess the effectiveness of our actions, and enhance our monitoring over time, in line with continuous improvement.

## 8. Approval

This Modern Slavery Transparency Statement for the year ended March 31, 2021 has been approved by the Board of Directors of FGACUK, on September 29, 2021.



September 30, 2021

Hirofumi Fuji, Chief Executive Officer