



AIR CONDITIONING

# **Fujitsu General Air Conditioning UK Limited**

## **Modern Slavery Transparency Statement**

**Publication Date: September 12th, 2023**

**Executive Owner: Hirofumi Fuji**

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## 1. Introduction

Fujitsu General Air Conditioning UK (FGACUK) acknowledges that acting in line with the UK Modern Slavery Act (MSA) is of paramount importance to FGACUK and takes its commitment to preventing modern slavery very seriously.

Section 54 of the UK 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 FGACUK's efforts to combat modern slavery during the financial year ended 31 March 2023.

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

In this Statement, the following notation shall be used.

FGACUK ... FUJITSU GENERAL AIR CONDITIONING (UK) LIMITED

FGG ... Fujitsu General Group (Collective name of Fujitsu General Limited and its subsidiaries)

FGL ... Fujitsu General Limited (HQ of Fujitsu General Group)

## 2. Business, Structure and Supply Chains of FGACUK

### Business

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

FGACUK employs 33 people in the UK. FGACUK procures and imports finished goods and spare parts into the UK and provides post-sales support. FGACUK uses a 3rd party warehouse company for product storage and delivery, along with its own warehouse for spare part storage. FGACUK sells its products to wholesalers, air conditioner specialists and installers.

### 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 FGL. FGL's shares are traded on the Prime Market of the Tokyo Stock Exchange (Stock Code: 6755).

FGL is engaged in product and component development, manufacture, sales, and services for air conditioners and information and communication systems and electronic devices fields. FGL performs product research and development primarily in Japan. FGL has R&D centres and production plants as its wholly owned subsidiaries in Thailand and China, where conducting significant product development and most manufacturing activities. FGL, together with its subsidiary undertakings (including FGACUK) is comprised within the FGG.

In 2021, FGG 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.

## 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 manufactures air conditioners. It established 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 FGG.

As at March of 2023 FGL had 1,729 employees and FGG had 8,335 employees.

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 FGG's supply chain might use forced labour, debt bondage or child labour. FGACUK recognises the possibility that modern slavery practices such as forced labour, debt bondage and child labour may exist in the operations of service and parts suppliers in the manufacturing sector that support FGG's operations in Thailand and China.

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. FGG Policies

FGG's response to modern slavery is led by FGL's Corporate Vice President, Toshio Kano, General Manager of the Sustainability 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 subsidiary.

The policies of CSR are created by the Sustainability Promotion Division.

The Sustainability Promotion Division, in cooperation with the Global Procurement Management Division, develops and reviews the CSR Procurement Guidelines and conducts Sustainability Due Diligence by asking to answer SAQ (Self Assessment Questionnaire) to ensure their effectiveness. The both Divisions will scrutinize the answers of SAQ from FGG's factories and their suppliers, and conduct on-site audits as necessary, and then will promote corrective actions and improvements through close communication.

The both Divisions are also responsible for the process of monitoring the FGG's CSR activities throughout the supply chain.

The Sustainability Promotion Division 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 its commitment to instilling this within its operations begins with the Fujitsu General Way Code of Conduct (hereinafter, "The Code of Conduct"). The Code of Conduct sets out the expected behaviours of FGACUK people, including to act ethically and to respect human rights.

### **FGG Human Rights Policy**

FGG Human Rights Policy defines its 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 directors and employees, and being transparent with regard to FGG's efforts to protect human rights.

In June 2022, FGG revised its human rights policy for the first time in three years, incorporating priority initiatives such as prohibition of forced labour and child labour, discrimination and harassment, freedom of association and providing a safe, hygienic and healthy working environment. FGG recognizes that respect for human rights is an important issue, and asks all stakeholders to endorse, understand, and practice FGG's Human Rights Policy.

### **CSR Procurement Guidelines**

FGG's CSR Procurement Guidelines are based on the RBA Code of Conduct (version 6.0) and the Responsible Business Conduct Guidelines of Japan Electronics and Information Technology Industries Association (JEITA).

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 (SDGs) and United Nations Global Compact "The Ten Principles of the United Nations Global Compact in Four Fields", 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 plant. 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 required to be adhered to by all suppliers as well as FGG subsidiaries worldwide.

## **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 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

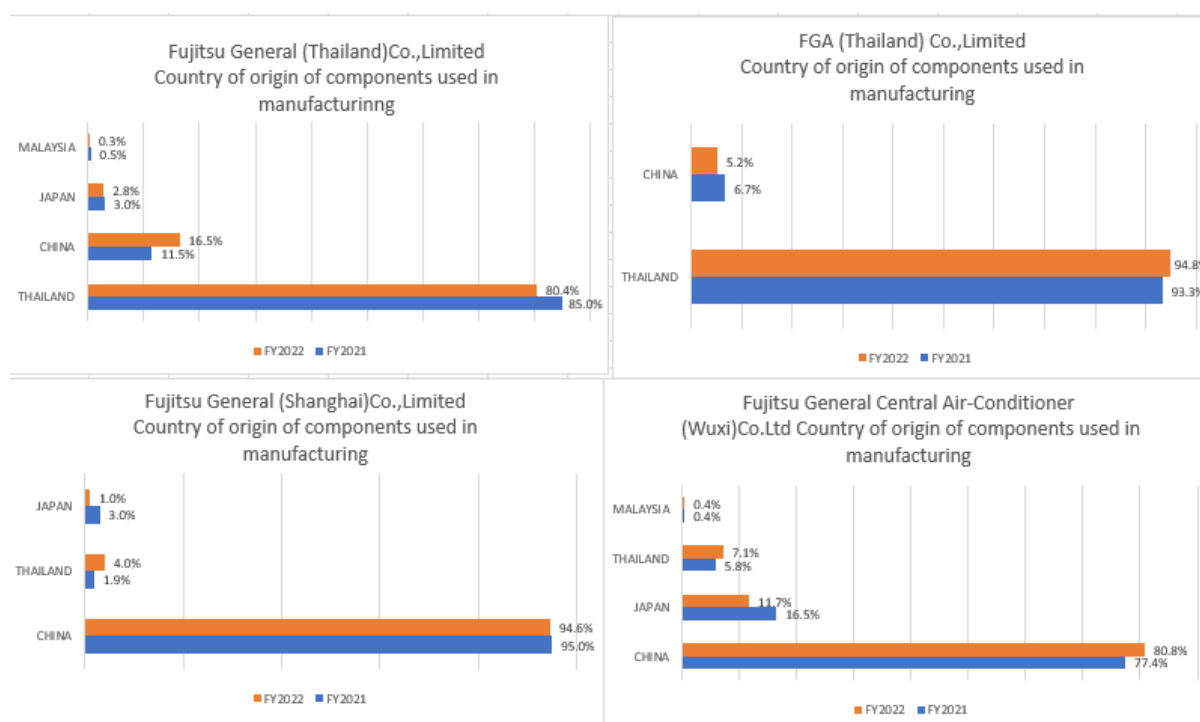
31 table 1 of the Asia and the Pacific Report). Although the Global Slavery Index gave China a low prevalence rating in 2018, recent news articles about Uyghur forced labour in Xinjiang suggest that the prevalence of modern slavery could be higher than the 2018 rating. China has also been found to have 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 such Thailand's 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.

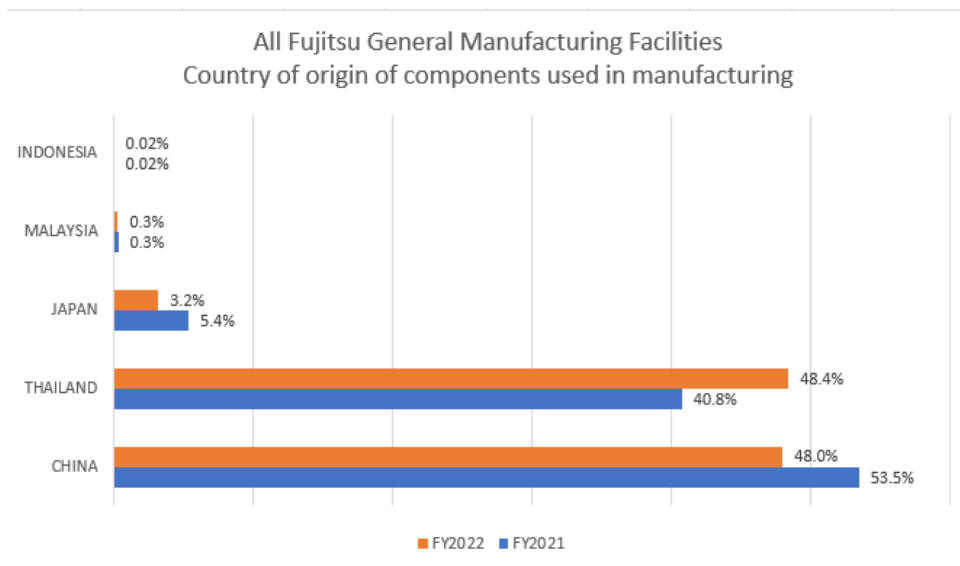
FGACUK notes that laptops, computers and mobile phones manufactured in China are the top-rated category of product at risk of modern slavery, according to table 3 of the Global Slavery Index report. Although FGACUK does not import or sell laptops, computers or mobile phones, the manufacturing processes 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.

### FGG Manufacturing Facilities

The table below summarises the source of components across FGL's manufacturing facilities:



The table below is a summary of the source of components across all manufacturing facilities:



## 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.

A corporate ethics helpline has been established and is in operation. The helpline is available to any directors and employees who work for FGG (including FGACUK), contract employees, loaned 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.

FGG responsibly investigates the risks of modern slavery.

In FY2022, FGG conducted Sustainability Due Diligence (by SAQ), including human rights, for two of its factories in China. FGG plans to conduct Sustainability Due Diligence at its each site promptly in the future.

In addition, FGG plans to establish a whistle-blowing mechanism at FGL to serve as a contact point for external parties, including primary suppliers in Japan. The FGG's whistle-blowing mechanism provides a system (Including No Retaliation Clause) for the appropriate handling of reports and consultations regarding compliance violations.

### 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 once again. As of March 31, 2023, 1,124 out of 1,171 suppliers signed up, using the CSR Procurement Guidelines consent confirmation form. Of the suppliers that have signed up using the guidelines, 669 are in Japan, 279 are in China and 176 are in Thailand. FGG's top 10 suppliers by procurement amount have agreed to comply with the CSR Procurement Guidelines.

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

#### *Supplier audits*

FGG selects suppliers for audits by prioritizing them based on the transaction amount, importance to the business, country risk, and relationship with the supplier.

The Sustainability Promotion Division and Global Procurement Management Division prepare and implement the rules for audits:

- Before suppliers are audited, they are requested to answer SAQ.
- Then, under the direction of the both Divisions, the department in charge of each plant conducts on-site audits and compares the answers of SAQ with the results of the on-site audits.
- Based on the results, the department in charge of each factory will provide improvement and corrective guidance to each supplier.

The aim of SAQ, CSR Procurement Guidelines and on-site audits is to work with suppliers to improve their compliance and performance over time by creating an opportunity for improvement and providing support to suppliers that are willing to invest and improve.

FGG planned to conduct 12 times on-site audits in the fiscal year 2022, and conducted on-site audits for 14 suppliers in China actually. FGG plans to conduct more extensive on-site audits in FY2023, as monitoring the impact of Covid-19.

FGG has not identified any cases of modern slavery in its operations or supply chain through its reviews and audits to-date.

## 6. Training

All directors and employees receive training on human rights via e-learning as part of the Fujitsu General Way Code of Conduct training ("The Code of Conduct"). The Code of Conduct is communicated to all directors and employees at least once a year. FGG use internal controls to monitor the compliance of its employees, and in the case of non-compliance FGG act in accordance with the Employment Regulations.

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

In FY2022, FGL also conducted an e-learning course on human rights by expert video delivery to provide all directors and employees with basic knowledge and awareness of "business and human rights" from a global perspective, and to encourage them to think about human rights issues as "their own issue" and act.

## 7. Effectiveness

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

- 1) Ensuring all suppliers have signed up to the CSR Procurement Guidelines – 95% have signed up so far
- 2) Conducting Sustainability Due Diligence (by SAQ) – FGL conducted Sustainability Due Diligence to two factories in China.
- 3) Conducting on-site audits in China – Target number of suppliers per year: 12 companies, Actual FY2022: 14 companies

In 2023, FGG plans to work with the relevant departments towards meeting its KPIs and implement a new Policy clarifying that FGG does not tolerate child labour or forced labour in its supply chains.

Over subsequent reporting periods, FGG will continue to review and evaluate these KPIs and develop future metrics to assess the effectiveness of its actions, and enhance its monitoring over time, in line with continuous improvement.

## 8. Approval

This Modern Slavery Transparency Statement for the year ended March 31, 2023 has been approved by the Board of Directors of FGACUK, on September 12th, 2023.





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Hirofumi Fuji, Chief Executive Officer