



AIR CONDITIONING

# Fujitsu General Australia Modern Slavery Statement

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# 1. Introduction

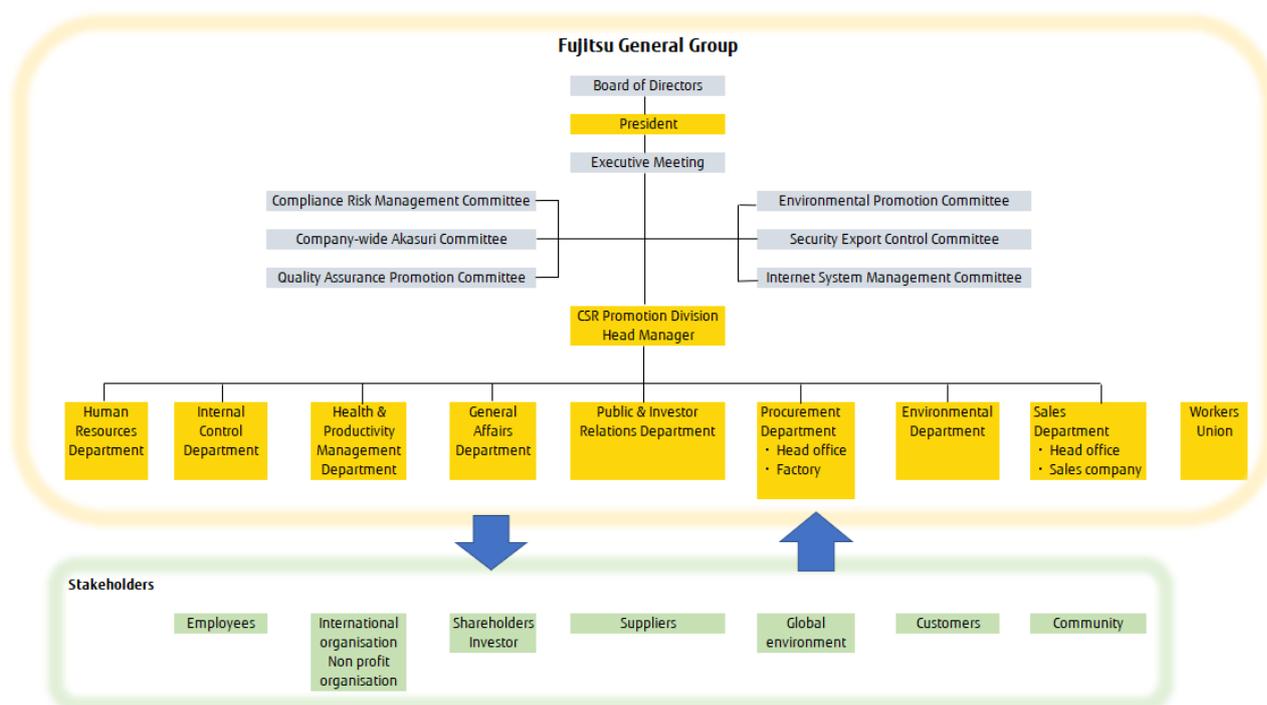
At Fujitsu General (Aust.) Pty Limited (ACN 001 229 554) (**FGA**) we take very seriously the risk that our products could be made using, or provide support for, modern slavery. We commend the Australian Government for introducing the *Modern Slavery Act 2018* (Cth) and are delighted to provide this, our first Modern Slavery Statement.

FGA imports and sells air conditioners in Australia. FGA's air conditioners are the result of more than 60 years of advanced design and development. Our products are designed to make room air clean and refreshing and bring ultimate comfort to customers anytime anywhere.

Headquartered in NSW, FGA has branches in QLD, VIC, SA, and WA which primarily support a sales and field service support structure. FGA employs 160 people in Australia. FGA procures and imports finished goods and spare parts into Australia and provides post-sales support. FGA uses 3<sup>rd</sup> party transport nationwide and 3<sup>rd</sup> party warehousing in QLD, SA, VIC, WA, TAS, NT along with its own warehouse in NSW. Field service is provided in relation to warranty, maintenance, and specialised commercial product commissioning. FGA sells its products into business to business channels spanning major retail, air conditioning dealers and commercial sectors.

FGA air conditioners and associated parts are purchased for resale in Australia from Fujitsu General Limited (**FGL**). FGA's other major suppliers are technology and communications companies with offices in Sydney with one exception located in San Diego, CA.

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.



Modern slavery can take many forms. Of most relevance to FGA is the risk that manufacturers in the supply chain might use forced labour, employees subject to debt bondage or child labour.

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. FGA recognises that modern slavery is an important human rights issue.

A key milestone in international action to combat trafficking forced labour is the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime (TIPs) ratified by Australia on 15 September 2005 and by Japan on 11 July 2017.

The endorsement of the UN Guiding Principles on Business and Human Rights (UN Guiding Principles) by the UN Human Rights Council was also a significant milestone. A key element of the UN Guiding Principles is recognition that corporations have responsibility to respect human rights and that this obligation exists independently of the ability and or willingness of states to fulfill their own human rights obligations. Also, that it is an obligation that exists independently of compliance with national laws and regulations that protect human rights. FGA recognises that it has an independent responsibility to combat modern slavery. FGA has taken steps to implement the recommendations of the UN Guiding Principles.

As a subsidiary of FGL, FGA takes its corporate social responsibilities seriously. In response to international developments FGA has taken steps to understand the risks associated with its suppliers and supply chain. FGA is required to comply with FGL policies and regulations including Corporate Social Responsibility Guidelines (CSR Guidelines) with all suppliers that was adopted in November of 2019 as a commitment of the President and a Representative Director on behalf of the FG Group.

The CSR 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 Information Technologies and Industries Association. An Office of CSR Promotions has been established comprising the General Managers of Environment, Human Resources and Procurement. The policies of the Office of CSR Promotions are implemented by the CSR Promotions Division. The CSR Promotions Division is managed by Corporate Senior Vice President, Mr Masataka Eto who is also the President of the office of CSR Promotion

The office of CSR Promotions is responsible for the process of conducting CSR activities for FG group, including the CSR Procurement Management System including implementing the CSR Guideline and reviewing their effectiveness. The Office of CSR Promotions reviewed the CSR Guidelines for effectiveness and produced an updated version in August 2020.

The CSR 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 "Sustainable Development Goals" adopted by the United Nations.

We provide more details of FGA's efforts to combat modern slavery in this Statement.

## 2. Reporting entity

The modern slavery reporting entity is FUJITSU GENERAL (AUST.) PTY LIMITED (ABN 55 001 229 554) with its Australian Head Office at 1 Telopea Pl, Eastern Creek NSW 2766

## 3. Reporting entity structure, operations, and supply chains

FGA is a majority owned subsidiary of Fujitsu General Limited (FGL). FGL's shares are traded on the first section of the Tokyo Stock Exchange (Stock Code: 6755). FGL controls the Fujitsu General Group (FGG) (including FGA). FGG designs, manufactures, distributes, and sells its products primarily using its own personnel and facilities.

The FGG manufactures and sells air conditioners, information and communications systems and electronics parts and devices. FGA does not sell information and communications systems or electronics parts and devices in Australia except for electronic devices used for controlling air conditioning products.

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

- Fujitsu General (Thailand) Co., Limited was established in 1991 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 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 research and development of advanced technologies for the Fujitsu General Group.

As at March of 2020 FGL had 1,642 employees. As at March of 2020, FGG had 8,042 employees.

#### 4. Risks of modern slavery practices in the operations and supply chains of the reporting entity

FGA rates as “very low risk” the possibility that modern slavery practices might occur within operations located in Australia or Japan. However, FGA 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 2018 and 2017 issued by 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.

FGA 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 in 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, FGA recognises a need to combat the possibility that organisations within its supply chain are using forced labour, employees subject to debt bondage or child labour.

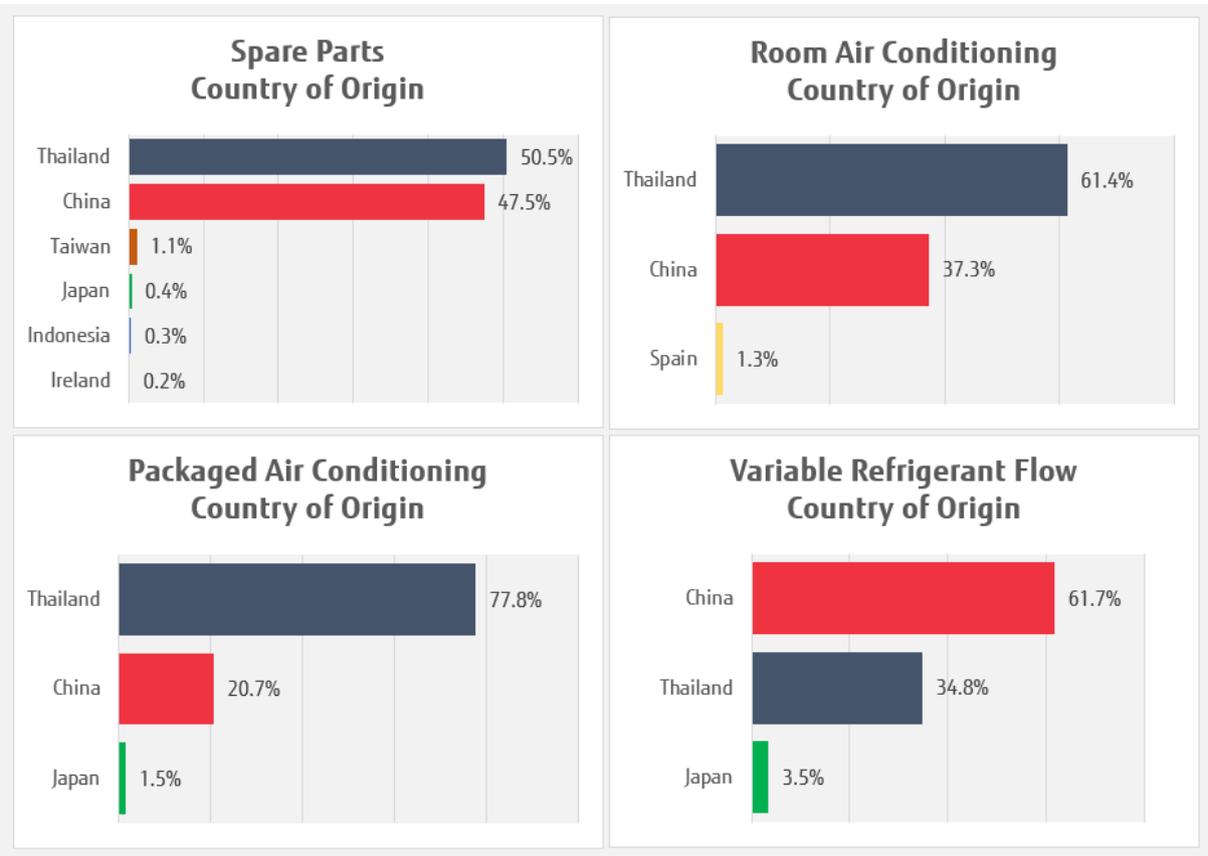
The factors listed in the previous paragraph contribute to a risk that individual workers in the rapidly growing economies of Thailand and China may suffer exploitation in the form of modern slavery.

In terms of prevalence, the Global Slavery Index 2018 gives China a low prevalence rating and Thailand a high prevalence rating estimating 8.9 victims per thousand of population in Thailand and 2.8 victims per thousand of population in China (see page 31 table 1 of the Asia and the Pacific Report). Although China has 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 and 13, respectively. However, it should be noted that the conflict in Thailand’s southern border provinces is relevant to Thailand’s high rating. FGG does not have any facilities in Thailand’s southern provinces.

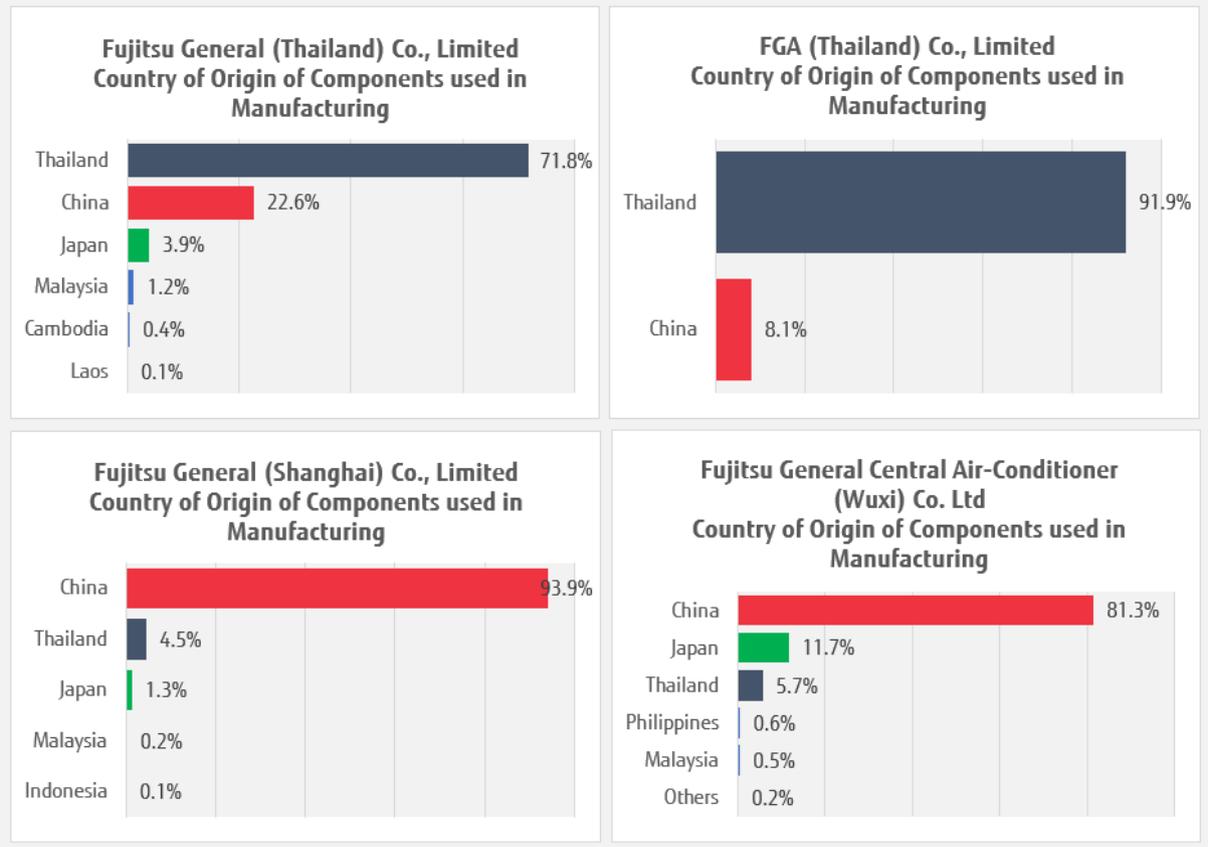
FGA has noted that laptops, computers, and mobile phone manufacturers in China is the top rating category of product at risk of modern slavery according to table 3 of the Global Slavery Index report. Although FGA does not import or sell laptops, computers or mobile phones manufacturing processes associated with consumer electronics is considered analogous to processes used to construct air conditioners and therefore indicates a potential risk. FGA notes that the Global Slavery Index rates Thailand is the fifth rank country in the region on the government’s response to issues associated with modern slavery between 2016 in 2018. China received a lower ranking being ranked 20<sup>th</sup> in the region.

##### FGA – Direct Supply Chain

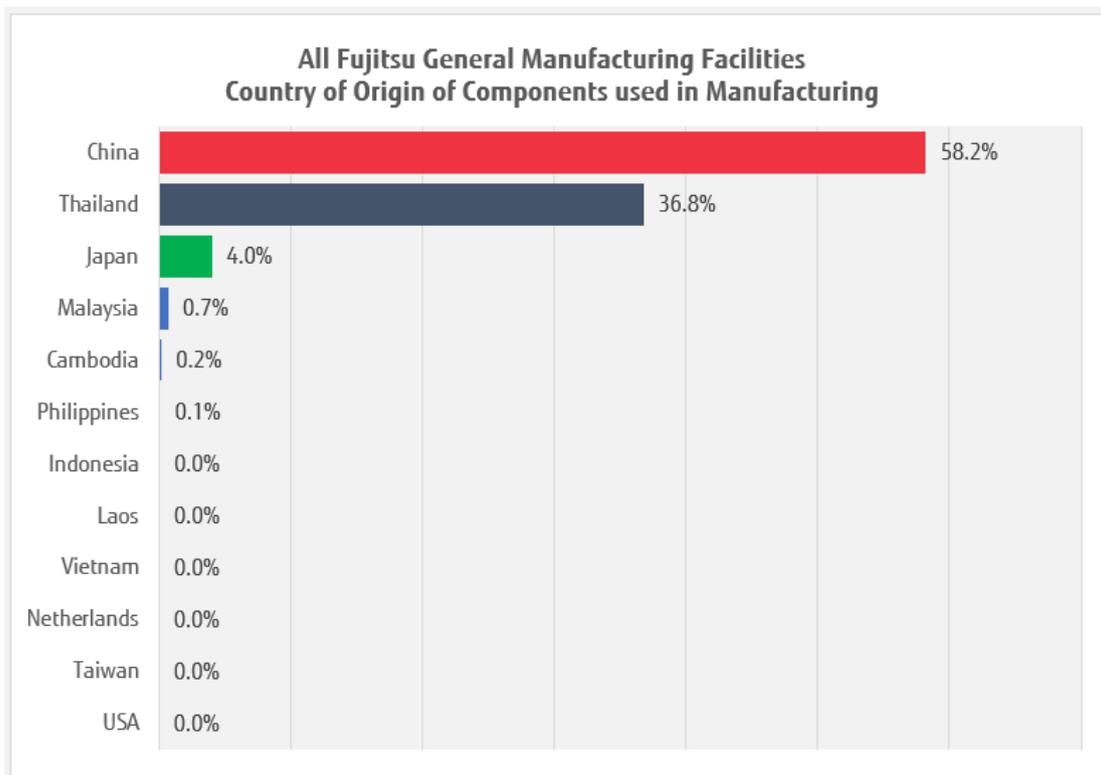
The table below summarises all inbound receipted purchase order lines by product classification and country of origin for the period **1 April 2019 to 31 March 2020**. The main countries of origin are Thailand and China.



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



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



## 5. Actions taken by FGA to assess and address modern slavery risks

The CSR Guidelines require that FGG companies prioritise procurement from suppliers with a comprehensively high evaluation of conformity with the principles outlined in the CSR Guidelines.

The aim 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. The CSR Guidelines set criteria for evaluation and selection of suppliers which includes as a key criterion the level of engagement with corporate social responsibility activities.

The CSR Guidelines directly addresses key issues associated with modern slavery including by prohibiting or excluding:

- from products, components, and supply chain any minerals that give rise to conflicts or minerals that are at elevated risk of being associated with forced labour or human rights violations.
- forced, bonded (including debt bondage) or indentured labour, involuntary or exploitative prison labour, slavery or trafficking of persons shall not be used. The policy expressly prohibits transporting, harbouring, recruiting, transferring, or receiving persons by means of threat, force, coercion, abduction or fraud for labour or services.
- child labour in any stage of manufacturing. The term “child” refers to any person under the age of 15, or under the age for completing compulsory education or other minimum age for employment in the country of work whichever is greater. Workers under the age of 18 shall not perform work that is likely to jeopardise their health or safety, including night shifts and/or over time.
- harsh or inhumane treatment including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers, nor is there to be any threat of any such treatment.
- discrimination based on race, colour, age, gender, sexual orientation, gender identity and expression, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union membership, covered veteran status, protected genetic information or marital status in hiring and employment practices such as wages, promotions, rewards and access to training.

- in conformance with local law suppliers must respect the right of all workers to form and join trade unions of their own choosing, to bargain collectively and to engage in peaceful assembly as well as respect the right of workers to refrain from such activities;

The CSR Guidelines also impose positive obligations related to the working environment that are relevant to combatting modern slavery including:

- Workers are to be provided with appropriate, well-maintained, personal protective equipment and educational materials about risks to them associated with work hazards.
- Potential emergency situations and events are to be evaluated and assessed and their impact minimised by implementing emergency plans and response procedures including emergency reporting, employee notification and evacuation procedures, worker training and drills appropriate fire detection and suppression equipment, clear and unobstructed egress adequate exit facilities and recovery plans.
- Suppliers must provide necessary medical treatment, investigate cases, and implement corrective actions to eliminate the causes and facilitate the return of workers to work.
- Potential hazards are to be eliminated or controlled through proper design engineering and administrative controls.
- Worker exposure to hazards of physically demanding tasks, including manual material handling and heavy or repetitive lifting, prolonged standing and highly repetitive or forceful assembly tasks is to be identified, evaluated, and controlled.
- Production and other machinery are to be evaluated safety hazards. Physical guards, interlocks and barriers are to be provided and properly maintained where machinery presents an injury hazard to workers.
- Workers are to be provided with ready access to clean toilet facilities water and sanitary food preparation, storage and eating facilities.
- Workers are to be provided with appropriate workplace health and safety information and training in the language of the worker or the language of the worker can understand all identified workplace hazards that workers are exposed to, including but not limited to mechanical, electrical, chemical, fire and physical hazards.
- Maintenance of programs that ensure the confidentiality, anonymity and protection of supplier and employee whistle-blowers unless prohibited by the law of the relevant jurisdiction.
- Suppliers are required to have a policy to reasonably sure that the tantalum, tin, tungsten and gold in the products they manufacturer does not directly or indirectly finance or benefit armed groups that are perpetrators of serious human rights abuses in the Democratic Republic of Congo or an adjoining country.
- Suppliers are also to commit to protecting reasonable privacy expectations of personal information including in relation to employees.

The CSR Guidelines support these obligations by mandating active processes including:

- A corporate social and environmental responsibility policy statement confirming compliance with these correct commitments and continual improvement endorsed by executive management and posted in the facility of the supplier in the local language.
- Identification of senior executive and company representatives responsible for ensuring implementation of the management systems and associated programs.
- A process to identify the legal compliance, environmental health and safety and labour practice and ethics risks associated with the supplier's operation.
- Written performance objectives, targets, and implementation plans to improve social and environmental performance including a periodic assessment regarding the achievement of relevant objectives.
- Training programs for managers and workers to implement relevant policies and improvement objectives.
- A process for communication to workers, suppliers, customers, and managers relating to corporate social responsibility objectives and ongoing process including an effective grievance mechanism to assess employees understanding and obtain feedback regarding violations against practices and conditions covered by the corporate social responsibility procurement policy.

- Periodic self-evaluations to ensure conformity to legal and revelatory requirements the content of the corporate social responsibility code.

Suppliers of FGG are have been requested to sign up to the CSR Guidelines procurement policy. Out of a total of 363 suppliers 267 have signed up using the CSR Guidelines consent confirmation form as of March 31, 2020. Of the suppliers signing up 28 are in Japan, 149 are in China and 90 are in Thailand. All the top 10 suppliers not owned by FGL have agreed to comply with the CSR Guidelines (excluding FGG affiliated companies). The top ten factories supplying FG Shanghai 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 Guidelines and has conducted follow up assessments and CSR Guideline training for suppliers since that time. FGL has also delivered e-learning sessions on corporate social responsibility and held study sessions with external professionals for its directors and employees.

During 2019, FGL commenced implementation of the CSR Guidelines by requesting suppliers to complete a CSR Guideline questionnaire and direct review of 3 suppliers in China (November 2019) and 3 suppliers in Thailand (September and December of 2019). Direct review of 9 suppliers was planned for 2020 but has been put on hold due to the Covid-19 pandemic.

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

- First the supplier conducts a self-check using the assessment questionnaire.
- Then the CSR Promotion Division conducts a CSR local audit and considers the difference between the suppliers self-check and the audit
- Having regard to the results, the CSR Promotion Division provides guidance and requests improvement from the supplier based on the Survey.

Our reviews found strong compliance in quality, safety, environment, health, and safety. The CSR Guidelines have been or are being implemented with FGL subsidiaries throughout the world.