



Modern Slavery Reporting — A Case Study of Fujitsu

Compliance and Ethics



Australian government seeks to eliminate modern slavery

The *Modern Slavery Act 2018* (Cth) (the Act) came into effect on 1 January 2019 as part of the Australian government's response to eliminating modern slavery.

The Act seeks to mitigate modern slavery practices throughout supply chains of goods and services in the Australian market.



Building on existing instruments aimed at protecting human rights generally – including making human trafficking, slavery and slavery like practices, including servitude and forced labour, criminal acts in the [Criminal Code](#), the Act seeks to protect hired workers in Australia from exploitation and underpayment.

Developments in state law

The Act is also supplemented by state legislation, including New South Wales' *Modern Slavery Act 2018* (NSW) (NSW Act). Although the NSW Act was passed in June 2018, as at 21 September 2021, it has yet to commence, with the NSW government indicating it is seeking greater harmony between state and national law. If the NSW Act does commence in its current state, it, will mean more entities will fall within its scope, especially as the NSW Act contains a AU\$50 million reporting threshold, lower than that of the Act. Also at odds with the Act is the introduction of a penalty regime for breaches of the legislation. The potential for new developments in the law is a reminder for businesses to be proactively engaged in addressing modern slavery risk in their operations.

Reporting requirements under the Act

The Act applies to both Australian (including the Australian Government) and foreign entities operating in Australia. These entities are required to submit public Modern Slavery Statements for

every 12-month period that they have an annual revenue of at least AU\$100 million. This threshold is inclusive of the entity's controlled entities. The regime also allows for entities that don't meet that threshold to volunteer to report Modern Slavery Statements annually.

A Modern Slavery Statement is required to address mandatory criteria set out in the Act, which include requirements to:

- Identify the reporting entity;
 - Describe the structure, operations, and supply chains of the reporting entity;
 - Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls;
 - Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes;
 - Describe how the reporting entity assesses the effectiveness of such actions;
 - Describe the process of consultation with:
 - Any entities that the reporting entity owns or controls;
 - In the case of a reporting entity covered by a joint Modern Slavery Statement submitted by another entity, that entity giving the statement; and
- Include any other information that the reporting entity, or the entity giving the statement, considers relevant.

A Modern Slavery Statement is due six months after the end of the relevant financial year applicable to a reporting entity. The deadline for submission of the first Modern Slavery Statement was delayed due to the impact of the COVID-19 pandemic, with some entities, reporting their Modern Slavery Statement earlier this year.

Lessons and practical tips from the first reporting period

Fujitsu

Fujitsu is a full-service provider of information technology and communications solutions, including in general strategic consulting, application and infrastructure solutions and services. Throughout Australia and New Zealand, Fujitsu works with customers to consult, design, build, operate, and support business solutions. Fujitsu outsources a number of its functions to companies which are part of the Fujitsu Group in the Philippines, India and other countries around the world.

Fujitsu's Modern Slavery Statement for the Reporting Period 1 April 2019 – 31 March 2020 (FY2019) is published on the Australian Government's [Online Register for Modern Slavery Statements](#).

An initial analysis of the first 121 Modern Slavery Statements published during the first reporting period suggested low commitment and resourcing with only 28 percent of reporting entities having a modern slavery working group, according to [Fair Supply Analytics](#).

In anticipation of its ongoing obligations under the Act Fujitsu:

- Developed a three-year rolling plan that outlines its strategy to review and assess modern slavery risks in its supply chain and the effectiveness of control actions. The three-year rolling

plan is reviewed and amended each year.

Established a modern slavery working group/committee (the committee). Membership of the committee incorporates senior staff with expertise in procurement, law and ethics, compliance, and responsible business practices. The committee meets at least quarterly and provides a valuable forum for Fujitsu to identify changes in the legal landscape and coordinate Fujitsu and supplier compliance with its modern slavery legal and ethical obligations.

In parallel Fujitsu also:

1. Amended the terms and conditions of its supplier contracts to include a requirement that all new suppliers comply with the Act and not engage in any activity, practice or conduct that would constitute modern slavery under the Act; and
2. Amended its recruitment and supply chain policies to ensure compliance with the Act and adopt the RBA Code.

Business engagement

Managing the level of risk in an entity's supply chain is an ongoing task that existed prior to the Act, and continues beyond the submission of annual Modern Slavery Statements. Ongoing efforts to respond to modern slavery risks are best embedded in the day-to-day operations of any responsible business. Fujitsu embeds risk mitigation into its operations in a number of ways including by adopting the Code of Conduct of the Responsible Business Alliance (RBA Code). In 2017, the Fujitsu Group joined the Responsible Business Alliance, which is a coalition promoting corporate social responsibility. Fujitsu has adopted, and encourages its suppliers to similarly adopt, the RBA Code as its Corporate Social Responsibility Procurement Guideline.

Supplier management and mapping

Fujitsu has almost 2,000 existing and active suppliers across its Australia and New Zealand operations.

Fujitsu applies a two-step approach to assessing its supply chain and reporting, including reporting required in accordance with the Act.

1. Firstly, Fujitsu applies a third-party due diligence process (3PDD) which requires new suppliers to be assessed before they are accepted as a supplier to Fujitsu. 3PDD is a Fujitsu-built system platform and is a web-based solution where various levels of approval (including senior staff with supply chain and legal and compliance expertise) are involved in evaluating and approving the potential supplier. As part of the 3PDD process a potential supplier is required to answer several questions, including questions aimed at identifying potential modern slavery issues. Once the 3PDD process has been completed and the potential supplier passes required minimum thresholds, it can be engaged by Fujitsu.
2. The second step requires the supplier to enter into an agreement with Fujitsu obligating the supplier to, amongst other things, comply with the Act and not engage in any activity, practice, or conduct constituting modern slavery under the Act. Fujitsu supplier contracts permit Fujitsu to conduct on-site audits, and incorporate a termination right for supplier non-compliance with the Act.

Suppliers are also required to accept Fujitsu's Supplier Code of Conduct for Corporate Social Responsibility. Fujitsu has a supplier management framework in place to continuously monitor suppliers throughout the duration of the contractual relationship.

Since the introduction of the Act, Fujitsu has taken further steps to assess and mitigate risk in its supply chain. These include the following:

- Fujitsu undertook, in-house, a thorough analysis of its supply chain with all suppliers ranked by risk profile. For the purposes of its first Modern Slavery Statement, in-scope suppliers were all suppliers with a spend of greater than AU\$\$100,000 in FY2019, excluding landlords, charities/government agencies, and one-off suppliers.
- Fujitsu prepared a detailed due diligence Modern Slavery Questionnaire for completion by suppliers that queried:
 - How each supplier complies with the Act;
 - Whether a supplier undertakes any form of risk assessment when engaging with a new supplier/contractor that considers the potential risks of slavery;
 - Whether a supplier has formal policies and procedures in place to address modern slavery; and
 - The countries that it sourced products and materials from.

Ninety-eight percent of in-scope suppliers completed and returned the Modern Slavery Questionnaire, which enabled Fujitsu to undertake a thorough analysis of its suppliers. The questionnaires were sent out to suppliers prior to the outbreak of COVID-19.

- From the collated responses, Fujitsu was able to identify and assess actual and potential modern slavery risks in its supply chain and conduct remediation activity where necessary.
- From the collated responses, Fujitsu was also able to conduct a mapping exercise to locate suppliers in countries at higher risk of forced labour using the Transparency International's [Corruption Perceptions Index](#). This identified that the vast majority of Fujitsu Oceania's suppliers are located in very low risk areas. Over 95 percent of Fujitsu's total spend is with countries indexed in the lowest risk category.
- Finally, noting that identifying modern slavery risk is an ongoing activity, Fujitsu determined to undergo a continuous monitoring process of its suppliers, leveraging its internal systems to perform half yearly reviews of its critical and major suppliers, and annual reviews of its minor suppliers.

Leverage global systems

Fujitsu is a multinational corporate group with offices and suppliers located in countries all around the world. Where high risk suppliers were identified operating in countries outside of Australia, Fujitsu was able to leverage the skills and resources of the local procurement team of the Fujitsu entity operating there to conduct audit and remediation activities with those suppliers.

While it is necessary for relevant entities to comply with the requirements of the Act, the process of elimination of modern slavery risks does not end at merely meeting legislative requirements. A supplier mapping exercise is critical.

Just the beginning

The steps Fujitsu has taken in its first Reporting Period are part of an overall and continuing mitigation strategy that other companies can emulate. Fujitsu takes a “continuous improvement” approach to addressing potential modern slavery risk throughout its organisation and suppliers. To that end, for the next Reporting Period, Fujitsu intends to delve deeper into the investigation of its suppliers, by increasing the number of those suppliers considered in-scope for the purposes of its FY21 Modern Slavery Questionnaire (which has been updated, for example, to further consider questions around the presence of conflict minerals in suppliers’ supply chains). Fujitsu looks forward to sharing the outcomes and actions arising from these investigations in its next Modern Slavery Statement.

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