

Fujitsu Siemens Computers

Company profile

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Introduction

This company profile on Fujitsu Siemens Computers is part of a research project on the ICT hardware sector. In addition to this study on Fujitsu Siemens Computers, SOMO has undertaken a study on Acer, a sector study and a survey of two major production countries. The aim of the research project is:

- To understand the role of manufacturers in the global ICT hardware supply chain, identify issues that need to be addressed and to develop strategies to address identified problems in the supply chain in general;
- To understand the organisation of the supply chains of two specific brand companies in the ICT hardware sector.

SOMO focuses on corporate structures and relations throughout the ICT sector as well as production, supply and value chains. The study aims to provide information and arguments for civil society organisations to feed the debate on trade and investment and corporate accountability. The ICT hardware sector study was conducted by SOMO in collaboration with research organisations in China and the Philippines.

The company profile on Fujitsu Siemens Computers aims to identify “critical issues” in Fujitsu Siemens’ supply chain from the perspective of poverty eradication and sustainable development. All reports associated with the research project on the ICT hardware sector can be found on SOMO’s website: www.somo.nl.

Fujitsu Siemens Computers is a leading European IT company with a strategic focus on next-generation Mobility and Business Critical Computing products, services and solutions. The company has a strong presence in all key markets across Europe, the Middle East and Africa. Fujitsu Siemens Computers develops so-called “best-in-class” business solutions that bundle its core areas of competence with the expertise of leading technology, software and service partners. The company supports these solutions through a comprehensive portfolio of professional services. The joint venture enables both Fujitsu Limited and Siemens AG “to synergize the innovative drive and strengths of both companies.”

Fujitsu Siemens Computers claims to be Europe's top supplier of personal computers (PCs) for home users and small offices. The company implements a channel strategy, similar to the strategies of many Original Equipment Manufacturers (OEMs) in the ICT hardware sector.¹ Small and medium enterprises (SMEs) and private users can acquire computers through Fujitsu Siemens Computers extensive network of qualified partners (about 35,000). The company supports this European-wide channel strategy with channel offerings, country-specific partner support programs and a “highly efficient” supply chain.

In this report, SOMO will demonstrate the implications of Fujitsu Siemens’ “highly efficient” supply chain for the those who are most affected by it: the people who work at the companies that supply to Fujitsu Siemens Computers. In order to identify the labour issues in Fujitsu Siemens Computers’ supply chain, research was undertaken on the working conditions in three factories in China and one

¹ A channel strategy is the result of a decision taken about the allocation of roles within a channel of distribution, and the way in which the channel is formally or informally managed and administered.

in the Philippines. All companies researched provide manufacturing services to Fujitsu Siemens Computers as well as the individual companies Fujitsu and Siemens.

1. Policies and business overview

1.1. General characteristics

Name:	Fujitsu Siemens Computers (Holding) BV
Registered office:	Maarsse, The Netherlands
Business Address:	Het Kwadrant 1 3606 AZ Maarsse The Netherlands
Telephone:	00 55 (0) 346 – 598700
Fax:	00 55 (0) 346 – 550152
Internet:	www.fujitsu-siemens.com
E-mail:	Info.cp@fujitsu-siemens.com
Logo:	

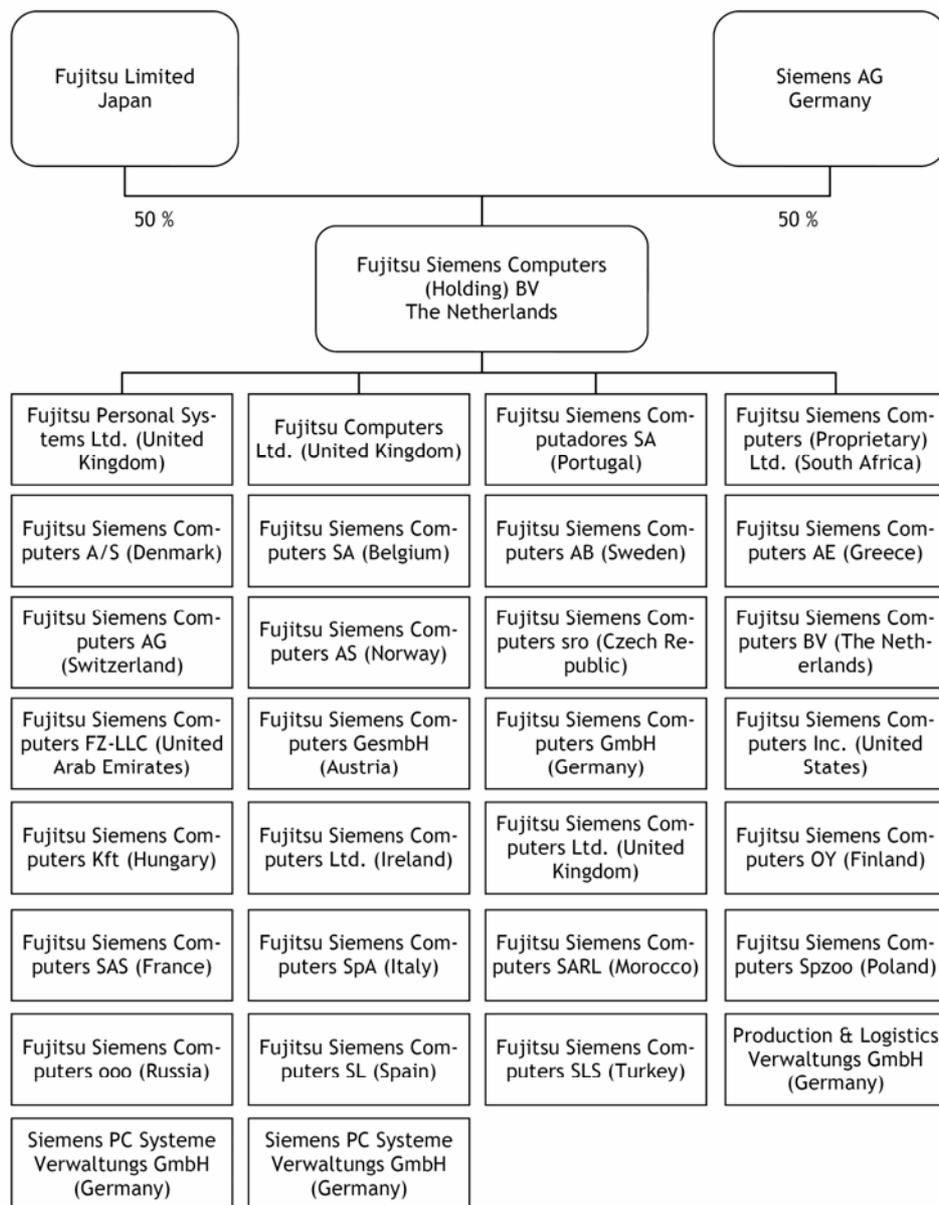
Fujitsu Siemens Computers provides a portfolio of IT products that includes enterprise storage tools, Intel- and UNIX-based servers, mainframes, notebooks, peripherals, tablet PCs, and workstations. The company operates in all key markets across Europe, the Middle East, and Africa (EMEA), and has individual companies in most countries. The majority of the company's sales stem from Europe, with Germany alone accounting for about 50 percent of revenues. Its customers include both consumer and corporate users as well as customers from European organisations focused on banking and commerce, the entire spectrum of private users, and the full range of SMEs in the insurance, public and telecommunications sectors.

The company is jointly owned by Fujitsu Limited and Siemens AG. Both vendors hold 50 percent of the company. As of fiscal year 2004, Fujitsu-Siemens Computers' workforce totaled approximately 7,000.

1.2. Ownership structure

Fujitsu Siemens Computers is a private limited company registered in the Netherlands.² This holding company was founded in October, 1999, as a joint venture of Fujitsu Limited (Japan) and Siemens AG (Germany). It leads a group of subsidiary companies that develop, manufacture, distribute and sell hardware computer products to corporate and business consumers in Europe, the Middle East and Africa.³

The company's shareholders are Fujitsu Limited in Tokyo (50%) and Siemens AG in Munich (50%).



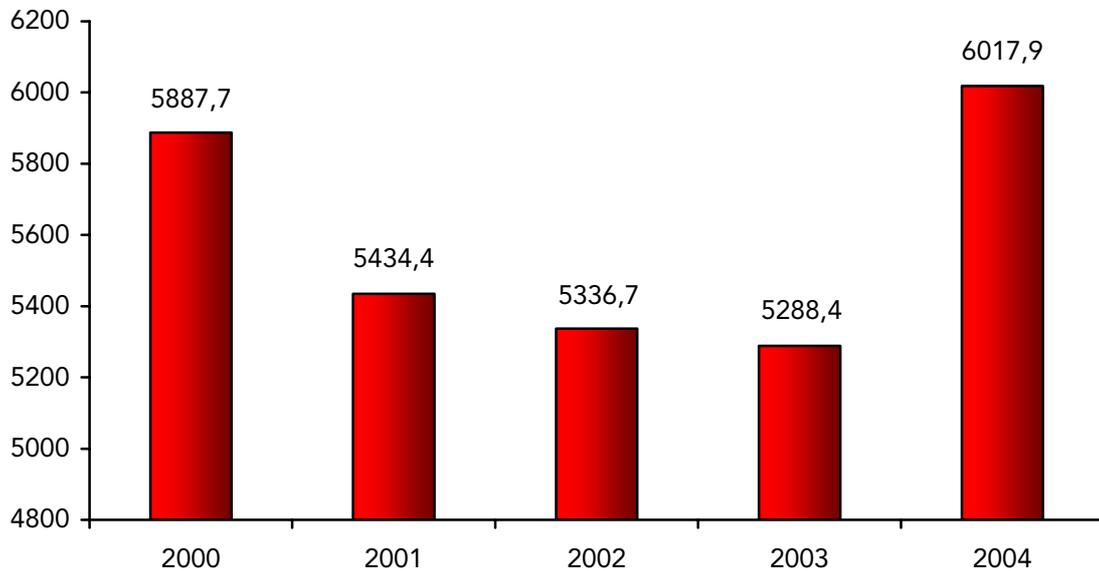
² A private limited company is a company with a small number of shareholders whose shares are not quoted on the stock exchange.

³ LexisNexis Benelux BV, *Fujitsu Siemens Computers BV company profile* (27 September 2004).

1.3. Basic financial information

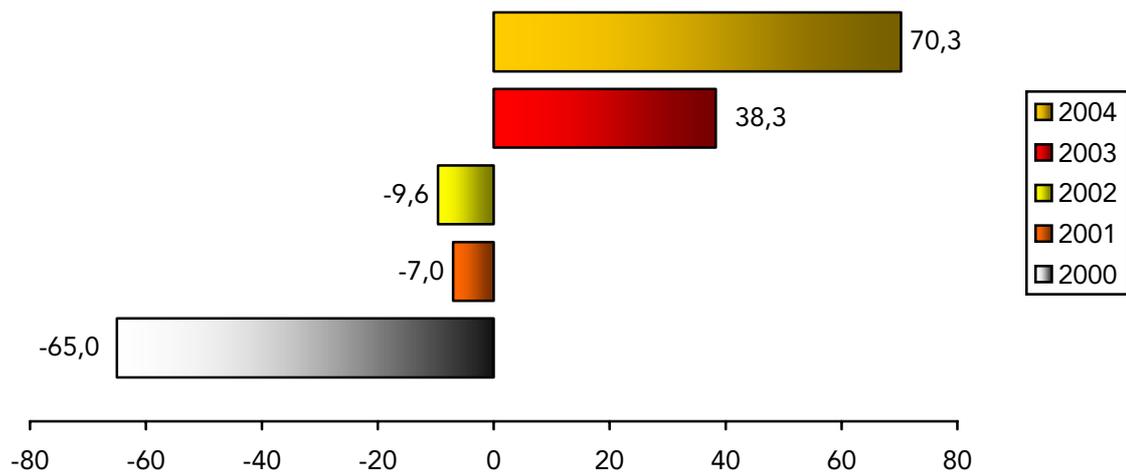
1.3.1. Total revenue, fiscal years 2000 - 2004⁴

In millions of €



1.3.2. Net income, fiscal years 2000 - 2004⁵

In millions of €



⁴ Total revenue: total sales and other revenue for the period shown. Known as "turnover" in the UK.

⁵ Net income: gross sales minus taxes, interest, depreciation, and other expenses. Net income can also be called net profit, net earnings or bottom line.

1.4. Characterisation of activities

Fujitsu Siemens Computers claims to be Europe's top supplier of PCs for home users and small offices. Its range of products extending from multimedia PCs to notebooks has been designed especially to meet the demands of private users. Fujitsu Siemens Computers is “firmly committed” to working closely with its partners. In collaboration with over 2,600 technology, software and service partners, solution providers and system integrators, the company claims to bring together the core competencies necessary to craft end-to-end solutions that meet its customers’ individual needs.

The company also implements a channel strategy. Small and medium enterprises and private users are served through Fujitsu Siemens Computers extensive network of qualified partners (about 35,000). The company supports this European-wide channel strategy with exclusive channel offerings, country-specific partner support programs and a “highly efficient” supply chain.⁶

1.5. Main products

Fujitsu-Siemens offers a suite of IT products, including notebooks, PCs, workstations, Intel and UNIX-based servers, mainframes and enterprise storage tools. The company's product and service lines are detailed in the table below.⁷

Product	Description	Competitors
Entertainment devices	Fujitsu Siemens Computers' ACTIVY Media Center entertainment device allows users to view DVDs, TV programs, and Video-on-Demand. The offering also enables users to digitally record programs via an Electronic Program Guide as well as to pause live TV using the Time Shift function. Other functions include e-mailing and surfing the Web. In addition, the company offers customers Multimedia PCs and LCD TVs.	MSN TV, Tivo Systems, Gateway and Dell
Handhelds	Fujitsu Siemens Computers' line of handhelds includes the Pocket LOOX line of mobile devices.	Acer, Dell, HP, Casio and palmOne.
Tablet PCs	The company offers the Stylistic ST501x Series and the LIFEBOOK T Series of Tablet PCs.	Acer, Motion Computing, Gateway, HP and Toshiba.
Notebooks	Notebooks include the AMILO A, AMILO D, AMILO M, AMILO L, and AMILO K line of notebook computers. Fujitsu Siemens Computers also has a strong professional notebook business with the AMILO Pro and Lifebook series. ⁸	Acer, Dell, HP, Toshiba and IBM.
Thin Clients	Fujitsu Siemens Computers' thin clients consist of the FUTRO B, FUTRO C, and FUTRO S series.	HP, Sun and IBM

⁶ Fujitsu Siemens Computers website, Company Information, “Corporate Profile”, no date, <http://www.fujitsu-siemens.com/aboutus/company_information/corporate_profile/index.html> (4 January 2005).

⁷ D. Figueiredo, *Fujitsu-Siemens Computers Company Profile* (Faulkner Information Services: 2004).

⁸ S. Twest, Senior PR Manager, Fujitsu Siemens Computers, Computers Computers, e-mail 2 August 2005.

Product	Description	Competitors
PCs	Fujitsu Siemens Computers offers the SCALEO C;800/600; M; L; and Media Center PCs. For professionals, the company provides the SCENIC Edition X; SCENIC C; SCENIC N; SCENIC E; SCENIC P; and SCENIC W line of PCs. Acer; Dell; HP; Gateway; and IBM.	Acer, Dell, HP, Gateway and IBM
Workstations	The company's line of workstation offerings the CELSIUSH, K, M, and R workstations.	Dell, Sun, HP and IBM
Intel-based servers	Fujitsu-Siemens' Intel-based servers include its PRIMERGY line of all-round servers, blade servers, economy servers, rack, and tower servers.	HP, Sun and IBM
UNIX Servers	Entry-level PRIMEPOWER servers; mid-range and enterprise PRIMEPOWER; console system(PRIMESTATION and rack console).	HP, Sun and IBM
Mainframes	The company's BS2000/OSD mainframe line features the S and SX model series.	IBM.
Storage	Fujitsu-Siemens' storage offerings consist of contact; disk systems; management software; NAS products; optical storage; SAN products; tape systems; and a virtual tape appliance.	Dell, IBM and HP
Software	Operating systems; open SEAS; backup/storage; cluster technology; communications/networking; compiler; document printing/spool; management software; transaction processing/data bases; and utilities.	Microsoft, IBM, Sun Microsystems, and various Linux vendors
Displays, Projectors and Accessories	Displays (business and home displays); projectors; input devices (standard, special, security keyboards, and mice); home peripherals, main boards (basic, overview, premium and value); printers; and scanners.	Dell, Sun and HP

1.6. Organisational structure

On October 1, 1999, Fujitsu Limited and Siemens AG established Fujitsu Siemens Computers (Holding) BV ("the company"), a company registered in the Netherlands, as a joint venture holding company owning various trading companies, which together comprise "the group". The joint venture was formed by the merger of the business of Fujitsu Computers (Europe) Limited (the European computer business of Fujitsu Limited) and the Computer Systems business in Europe, the Middle East and Africa of Siemens AG.

The group's development activities are carried out in Germany and the USA, whilst manufacturing (final assembly) is based in Germany. Embedded in a global co-operation, Fujitsu Siemens Computers takes advantage of the capacities of its parent companies Fujitsu Limited and Siemens AG.

Fujitsu Limited, which was established in 1935 and has its headquarters in Tokyo (Japan), is a leading provider of Internet-focused information technology solutions for the global marketplace.

According to company data, it is number three in the world (and number one in Japan) in the IT services field.

Siemens AG was founded in 1847, and its headquarters are in Berlin and Munich (Germany). In creating innovative solutions in electrical engineering and electronics, Siemens AG provides global products and solutions for e-business, mobile communications, manufacturing, transportation, healthcare, energy, lighting and financial services.

Fujitsu Limited and Siemens AG hold an equal number of ordinary shares in the company and have equal voting rights and equal rights to participate in the distribution of profits. Each shareholder is also entitled to receive an equal number of ordinary shares on any subsequent new issue of shares.⁹

1.6.1. Board of Management

The Board of Management (“the Board”) is responsible for the effective conduct of the business as a whole. It exercises this responsibility by setting the overall strategic direction of the group, ensuring appropriate finance is available, agreeing on budgets and monitoring and controlling the performance of the group’s executive management.

The Board, which meets quarterly, comprises executive and non-executive directors. Fujitsu Limited and Siemens AG each appoint an equal number of directors. The shareholders have agreed to rotate every two years the holders of the offices of Chairman and Vice-Chairman, one of whom is appointed by Fujitsu Limited and the other by Siemens AG.

Certain matters are delegated to Board sub-committees that are responsible for reporting their actions and recommendations to the Board.¹⁰

1.6.2. Board Committees

Audit Committee

The Board has established an Audit Committee, which comprises four non-executive directors (two each nominated by Fujitsu Limited and Siemens AG), the Chairman and the President & CEO. Its meetings are normally attended by the external auditors and the CFO, together with the Head of Internal Audit. It meets at least once a year and it is authorized by the Board to consider any activity within its terms of reference as it sees fit. The Audit Committee primarily concerns itself with reviewing the overall management and control environment, financial reporting and standards of business conduct.

Remuneration Committee

The Board has also established a Remuneration Committee comprising four members (two each nominated by Fujitsu Limited and Siemens AG), with the Chairman of the Board being one of them. The Committee meets as required to consider and recommend to the Board the creation of, and major changes in, policies and their implementation, relating to the terms and conditions of

⁹Fujitsu Siemens Computers, “Simplify a Complex World – Fujitsu Siemens Computers 2002/03 Annual Report”, July 2003, < http://www.fujitsu-siemens.com/rl/aboutus/annual_report/2002/f_governance.html#> (5 January 2005), p. 59.

¹⁰ Fujitsu Siemens Computers website, Company information, “Board Members”, no date, <http://www.fujitsu-siemens.com/aboutus/company_information/management_profiles/board_members.html> (5 January 2005).

employment, remuneration including performance incentives and pensions for Executive Directors, other senior management and, where appropriate, other grades of employees. The Chief Personnel Officer of the group normally attends the meetings.

1.6.3. Executive council

The Executive Council is the highest operational executive decision-making body in the group. It comprises the three executive Board directors, the Chief Financial Officer, the Executive Vice-President Volume Products & Supply, the Executive Vice-President Enterprise Products, the Chief Personnel Officer, the Chief Technology Officer (who is also responsible for corporate strategy), the Managing Director of Germany Country Sales and the Managing Director of one of the other sales countries taken in rotation (Italy in 2002 - 2003, France in April, 2003).

The Executive Council meets every month to agree on priorities and allocate resources in order to implement group strategy. It sets overall corporate targets, agrees on and monitors the strategy plans and performance of the different businesses, identifying and exploiting new opportunities as these arise.¹¹

1.6.4. Senior Management Team

The Senior Management Team (“the SMT”) consists of the members of the Executive Council plus another approximately 70 senior managers drawn from the next level of management across the group. The SMT meets at least once a year and provides a wide forum for discussion on the development of group strategy as well as operational issues.

1.6.5. Internal Audit

Internal control and risk management are the responsibilities of operational management. Internal Audit has a group-wide responsibility to assist management in discharging these responsibilities, to monitor their performance and to make recommendations for improvement. In particular, the objectives of Internal Audit are to:

- Assure the security of the group’s assets and its resilience against fraud;
- Ensure management’s commitment to a strong internal control environment;
- Assess compliance with group policies and procedures and legal and fiscal regulations;
- Assist management in improving processes and operational efficiency by spreading best practice;
- Develop a risk-based approach to promoting corporate governance best practice.

The Head of Internal Audit reports to the Chief Financial Officer (CFO).¹²

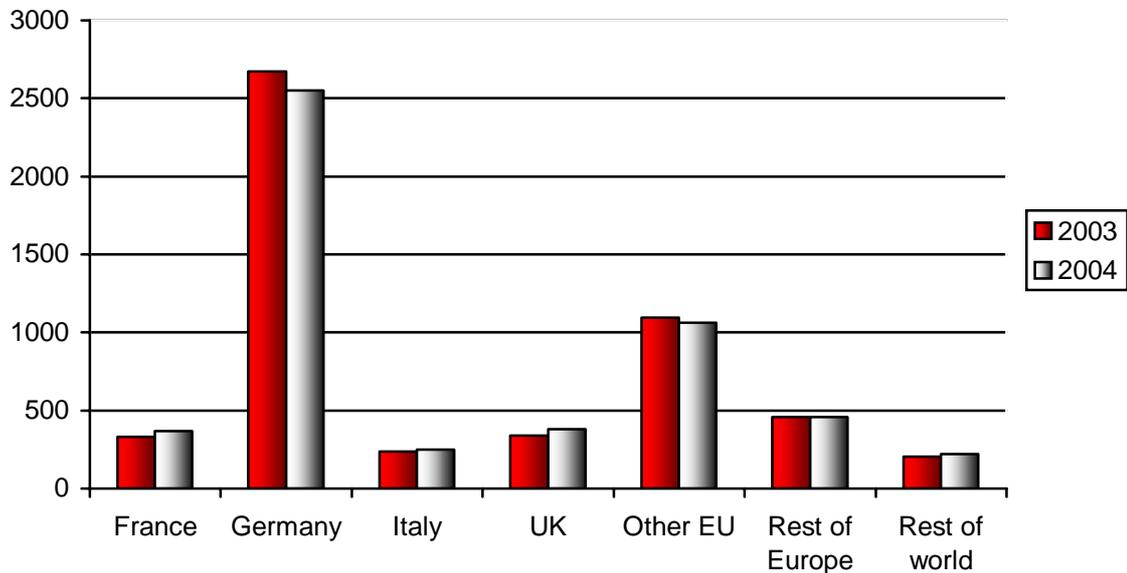
¹¹ Fujitsu Siemens Computers, “Responsibility Begins in the Mind -Annual report 2003 / 2004”, July 8, 2004, <http://www.fujitsu-siemens.com/rl/aboutus/annual_report/2003/download/FSC_Annual_Report_2003_2004.pdf>(5 January 2005) p.74.

¹² Fujitsu Siemens Computers, “Simplify a Complex World – Annual Report 2002/2003”, July 2003, <http://www.fujitsu-siemens.com/rl/aboutus/annual_report/2002/f_governance2.html> (5 January 2005), p. 61.

1.7. Production

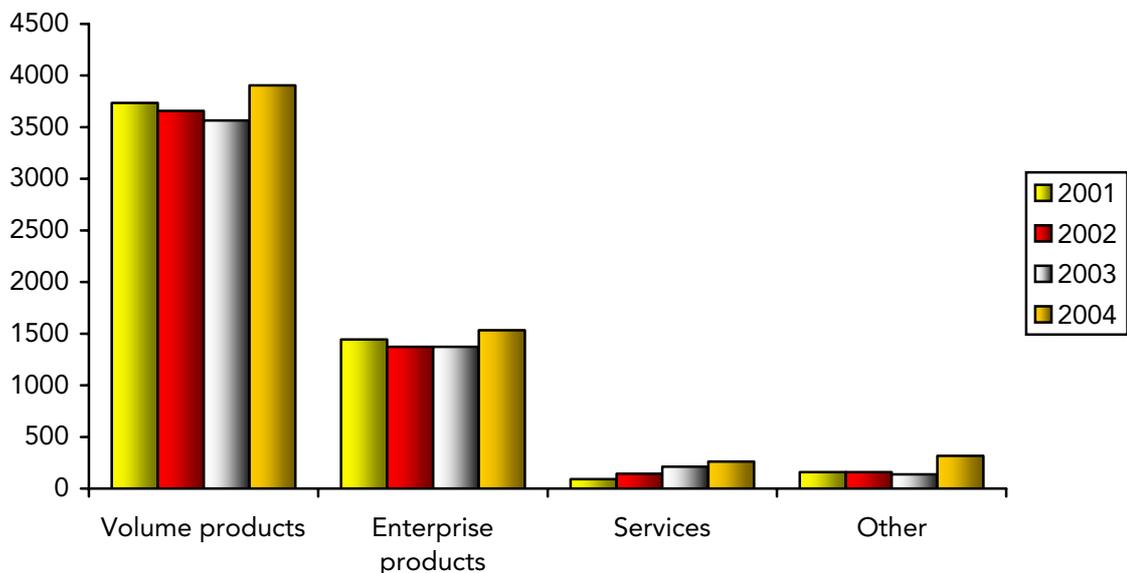
1.7.1. Total revenue per region, 2003 - 2004

In millions of €



1.7.2. Total revenue by products, 2001 - 2004¹³

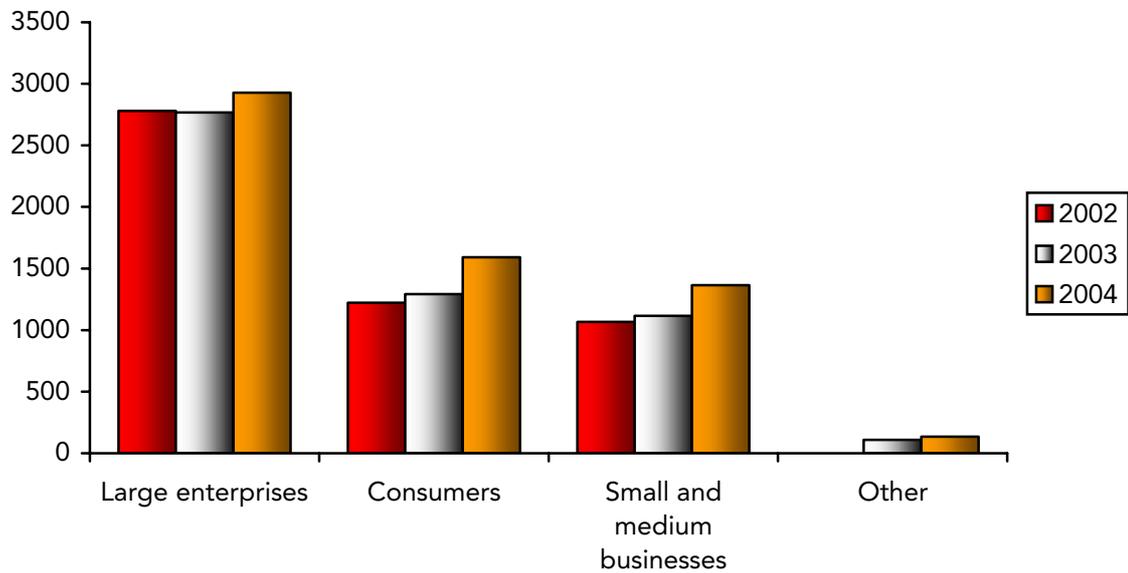
In millions of €



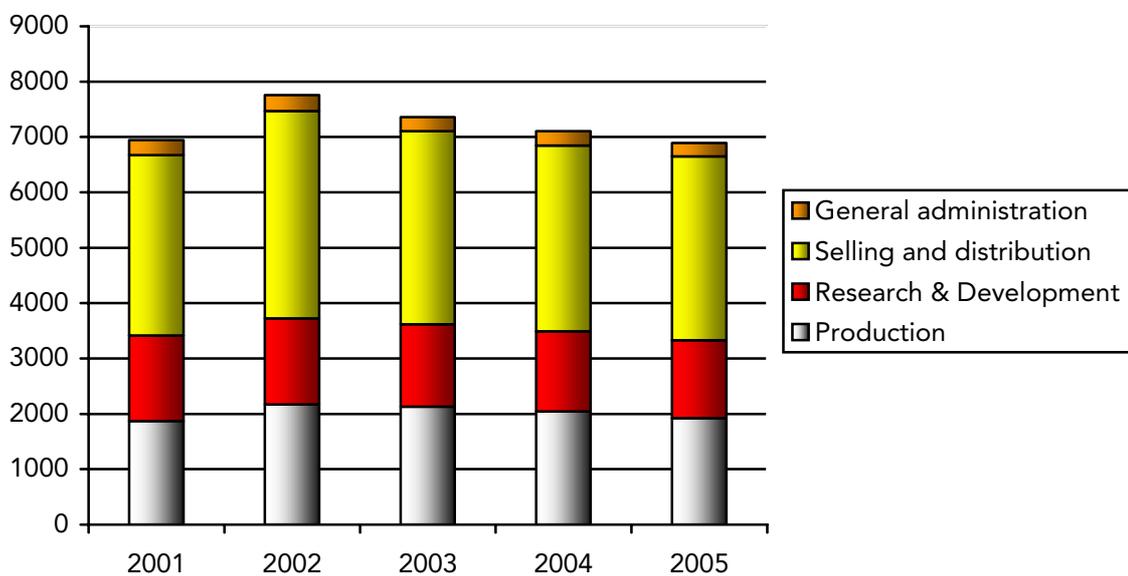
¹³ Fujitsu Siemens Computers, Annual Reports, 2003/2004 and 2002/2003. Volume products are products sold in bulk.

1.7.3. Revenue by customer segments

In millions of €¹⁴



1.7.4. Number of employees, 2001 – 2005



¹⁴ Fujitsu Siemens Computers, Annual Reports, 2003/2004 and 2002/2003.

1.8. Strategy

1.8.1. Overall strategy

Fujitsu Siemens Computers' strategy is geared toward "Powering the Information Age." The company wants to allow its customers to access data and services from any place, at any time and at no cost. The company claims that doing so will not be a difficult task thanks to its "best-in-class products, services, and tools, which are bound to ensure its success in a market-driven society." Furthermore, Fujitsu Siemens Computers' strategic direction is focused on business computing and mobility tools as the key factors driving the Internet age. As such, the company believes that focusing on these products with regard to the e-business and information age will enable it to increase its market share, as those two sectors continue to gain momentum. While the company's business initiative builds on its core competencies for delivering e-business environments, its mobility initiative will help it to meet the growing demand for remote internet access for mobile users.¹⁵

1.8.2. Strengths

According to IDC, Fujitsu Siemens Computers' business users benefit from the company's integration know-how and vast experience in enterprise computing. The company realises that skill in business-critical solutions and in data centre operations are more important than ever in the e-business era, and it excels in this area.

Another area in which the company has successfully marketed its products is the private sector. Fujitsu-Siemens recognizes that PC usage among small office / home office (SOHO) users is on the rise, and it has taken measures to adjust accordingly. The company has actually been named Europe's top provider PCs for SOHOs, launching a new line of PCs strictly intended for this group of users. Such items include multimedia PCs as well as devices for home entertainment and consumer notebooks.

While other contenders in the laptop, PC and server market are forced to survive alone, as a joint venture Fujitsu Siemens Computers maintains a huge advantage. With two parent conglomerates that are dedicated to financing the research and development of next generation products, Fujitsu Siemens Computers remains a strong contender in a weakened market. In 2003, worldwide IT spending diminished by 0.5 percent.¹⁶ The Western European market for PCs, servers and storage disk systems dropped by 12 percent.¹⁷

1.8.3. Vulnerabilities

The company is susceptible to the volatility of the European IT market, as there does not seem to be any hope of a substantially increased demand throughout this sector in the near future. If conditions therein continue along a downward spiral, Fujitsu Siemens Computers would be hit particularly hard since it is considered one of Europe's top IT providers. The company is also faced with the potential for risk in all of the areas in which it operates. These areas include development, production, and sales of IT hardware, services, software and solutions.

¹⁵ D. Figueiredo, *Fujitsu-Siemens Computers Company Profile* (Faulkner Information Services: 2004).

¹⁶ Presentation by Stephen Minton (vice president IDC Worldwide IT Markets), *State of the Market IT Spending Directions 2004-2008*, 2004.

¹⁷ IDC Black Book 12/03.

Other serious risks that Fujitsu-Siemens faces include extreme cost pressure, short product and innovation lifecycles and strong competition in the marketplace. The examples listed below further explain these risks:

- Aggressive pricing and terms and conditions by rivals;
- Component shortages;
- Increased amount of customer credit risk resulting from economic downturn;
- Sales erosion in particular software product rental businesses.¹⁸

1.8.4. Outlook

Fujitsu Siemens Computers expects to grow ahead of the market and also to move forward with strategy implementation in 2005 and 2006. The company's main goal is to continue outgrowing the market while increasing profitability. According to the company's CEO, Fujitsu Siemens Computers currently remains in a volatile economic climate. The company predicts that the economic environment across Europe will remain weak during 2005 and that, as a result, IT hardware spending rates will do the same. The company does expect to see minimal growth in 2005. Analysts predict that market growth for mobility and business critical computing products in particular will be better than that of the overall market. This trend could work in the company's favour and potentially benefit its long-term growth as these areas are key to its strategic focus.

The company's focus on the SME segment has benefited the company. According to Fujitsu Siemens Computers, the company has seen its revenues in the segment rise seven percent in 2003. Key countries for the company, such as Germany and France, along with the Nordic and Eastern European regions, managed to record double-digit growth during the year, with commercial mobile devices and Intel-based servers driving revenues in the segment. As the overall technology segment to larger businesses remains stagnant, Fujitsu-Siemens could prove to be very successful by targeting the SME market.

Overall, the company saw its biggest revenue growth during the 2003 fiscal year in its consumer mobile devices, which increased by 64 percent, and its services business, which was up 47 percent. The company also leads the EMEA market in sales of tablet PCs.¹⁹ However, the company continues to try to improve its sales of consumer desktops, which represented the biggest decline for the company during 2003. The company's desktop sales fell by 30 percent over the previous year.²⁰

¹⁸ D. Figueiredo, *Fujitsu-Siemens Computers Company Profile* (Faulkner Information Services: 2004).

¹⁹ EMEA: Europe, Middle East and Africa.

²⁰ D. Figueiredo, *Fujitsu-Siemens Computers Company Profile* (Faulkner Information Services: 2004).

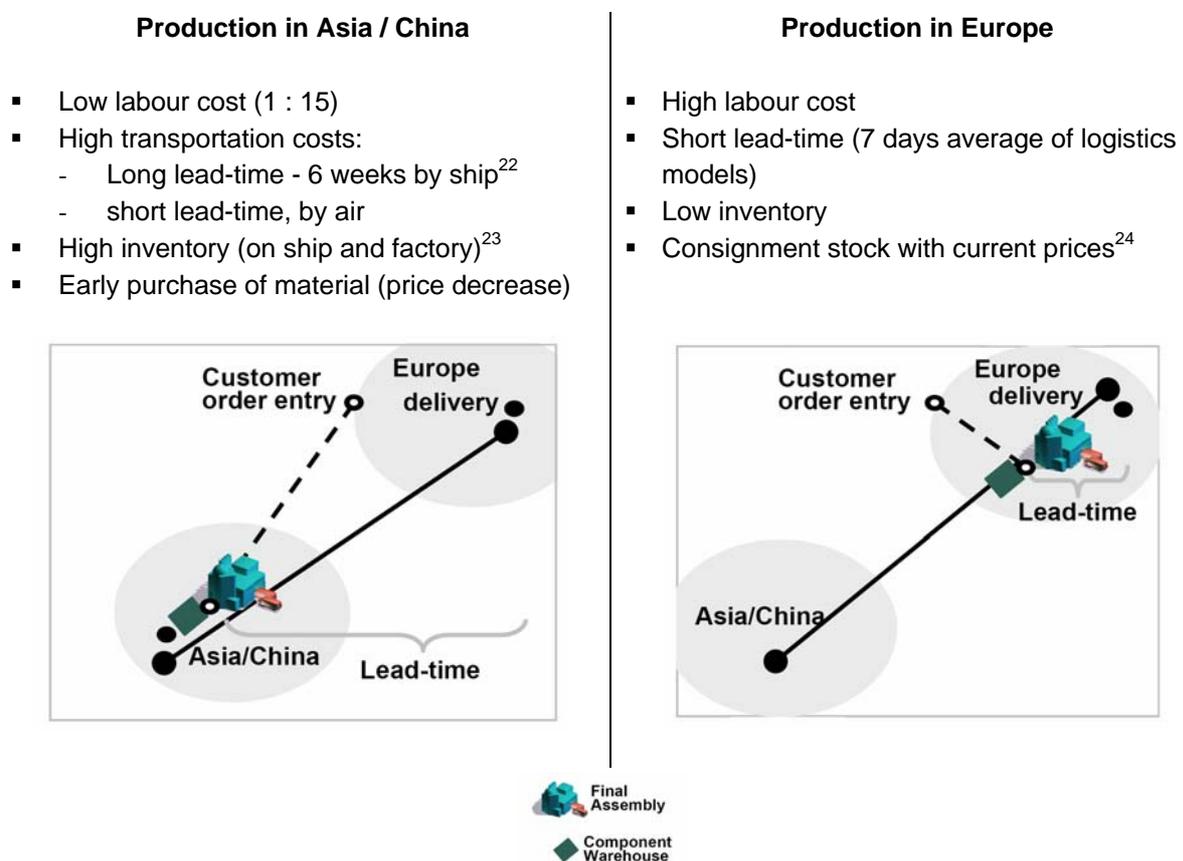
2. Fujitsu Siemens Computers' supply chain and CSR

2.1. Supply chain, outsourcing and management systems

For optimizing its supply chain, Fujitsu Siemens Computers considers the following key elements:

- Highest customer satisfaction: lead-time, on time delivery, quality and competitive price;
- "Best in class" cost position versus high labour cost in Germany;
- Individualized products (e.g. CPU, memory, hard disk, country and language specifics);
- Order fluctuation.²¹

Most personal computers are produced in Asia, although some production still takes place in Europe. The considerations for the design of Fujitsu Siemens Computers' supply chain for personal computers are the following:



²¹ Presentation by Dr. Joachim Jeiter (Executive Director Supply Chain Strategy and Processes), at the international seminar "Understanding Global Outsourcing", New York University, 10 December 2004.

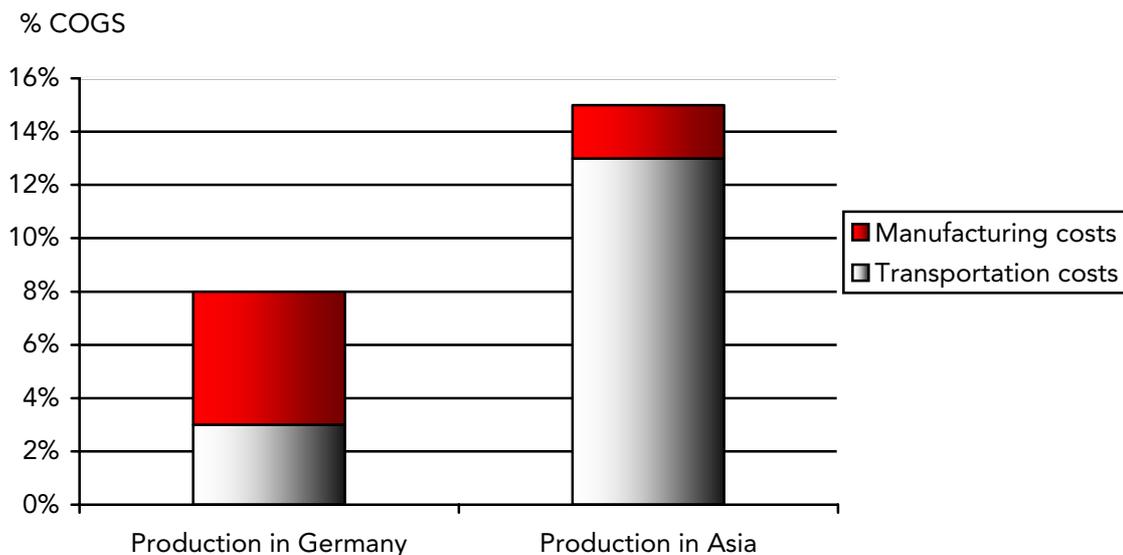
²² Lead-time: In terms of a supply chain, lead-time is the total time needed for an order to be processed. Lead-time starts when the order is received by the sales department and ends when the client pays the invoice.

²³ Inventory: the monetary value of a company's raw materials, work in progress, supplies used in operations and finished goods. Excess inventory on a company's balance sheet could indicate a slowdown in sales and a lack of pricing power.

²⁴ Consignment stock by definition is a marketing arrangement whereby physical control of merchandise but not title, is transferred from one business (the Consignor) to another (the Consignee). As Consignee, the title to the goods remains with the consignor until the goods are sold.

Taking into account these considerations, Fujitsu Siemens Computers argues that producing at a single location does not meet customer requirements. Therefore, the company applies a so-called “barebone strategy.” According to this strategy, the competitive advantages of Asian and European production plants are combined. The preproduction process is carried out in Asia (particularly China), and the final assembly takes place in plants close to European customers. By using the barebone strategy, Fujitsu Siemens Computers sets the prerequisites for a short lead-time to its customers and low inventory levels. The “barebone” share of Asia has increased considerably in the last five years. In 1999, only 20 percent of Fujitsu Siemens Computers was produced in Asia. In 2005, 85 percent of Fujitsu Siemens Computers’ production will take place in Asia.

According to Fujitsu Siemens Computers, the production of desktop and server products in Europe still offers cost advantages, due to fact that transportation costs (air cargo) for these particular products are higher than manufacturing costs. The graph below illustrates the cost advantage of the production of desktop computers and servers in Europe. From the total Cost of Goods Sold (COGS) of desktop computers and servers produced in Asia, manufacturing and transportation costs represent 13 percent. For the same products manufactured in Europe, the manufacturing plus transportation costs are only eight percent of the COGS.



This clearly shows why Fujitsu Siemens Computers chooses to continue manufacturing certain products in Europe. Especially in the case of larger and heavier products (high volume / weight cost), Fujitsu Siemens Computers prefers to produce close to the European consumer markets. For that reason, about 2,000 workers are still involved in the production of computers for Fujitsu Siemens Computers in Europe. Most of these workers are employed at the Fujitsu Siemens Computers computer assembly plant in Augsburg, Germany. This plant employs between 1,000 and 1,300

people. Roughly 600 of these workers are permanently employed; the other works have temporary jobs and are requested by the management whenever necessary.²⁵

Fujitsu Siemens Computers has two rather different production procedures: mass customisation and continuous volume production. Mass customisation is a process that can be applied to all Fujitsu Siemens Computers' products. For the process of mass customisation, Fujitsu Siemens Computers uses the KANBAN management system. KANBAN is a finished goods and components management system in which the manufacturer keeps safety stock on hand at all times for each stage in the manufacturing process. A subcontractor will have safety stock for relevant components, a vendor will have safety stock for sub-assemblies, and finally there will be safety stock for finished goods. Typically, the customer will draw from the inventory which is then replenished within an agreed-upon timeframe. For the continuous volume production, Fujitsu Siemens Computers uses a "just-in-sequence" management system. For this process, the company applies step-by-step assembly, whereas customized products are assembled by one person only.²⁶

2.1.1. Labour flexibility in Europe

At some European production sites, Fujitsu Siemens Computers implements flexible work arrangements. The production site is organized along the lines of the "breathing factory" principle, i.e. the output is flexibly adapted to meet demand. This means that employees do not know when they will return home in the evening. It is also unclear whether a family outing over the weekend can take place. Each morning, the management decides if working shifts will last seven, eight or nine hours. Should the orders received change over the day, the working hours are adapted accordingly. At mid-week, the workers are informed if they need to be at the assembly line on Saturday as well.

Suppliers adapt themselves to this production process. Every two hours, central processing units, mother boards and casings are requested from a central storage facility that is contracted out and operated by an external service provider. Fujitsu Siemens Computers in Augsburg pays the invoice only after the components are assembled.

According to specialists, the Augsburg factory has one crucial advantage against competitors on the German and European markets that have farmed out operations to, say, Asia. Rapidly falling prices for individual technical IT components make it difficult to calculate prices. Computers that are delivered from Asia by boat arrive in Europe after approximately six weeks. This ties up capital, and the manufacturers fail to exploit the benefits of ongoing price reductions. Expensive air freight on the other hand will eat up any price advantage. Fujitsu Siemens Computers' "barebone" strategy seems to be highly effective.²⁷

The effectiveness of the supply chain strategies used by Fujitsu Siemens Computers have been "confirmed by a series of excellence awards." In 2003, the judging panel of the European Supply Chain Excellence Award identified the following achievements:

²⁵ "Keeping it flexible", Dialog Online, Magazine for International Advanced Training and Development, issue 3/2004, < http://www.dialog.inwent.org/en/rub_20020220093742/artikel_20040914165536.html> (7 January 2005).

²⁶ Presentation by Dr. Joachim Jeiter (Executive Director Supply Chain Strategy and Processes), at the international seminar "Understanding Global Outsourcing", New York University, 10 December 2004.

²⁷ "Keeping it flexible", Dialog Online, Magazine for International Advanced Training and Development, issue 3/2004, < http://www.dialog.inwent.org/en/rub_20020220093742/artikel_20040914165536.html> (7 January 2005).

- Lead time reduction from 10.5 days to 6;
- Reduction in days' supply of materials held from 17.1 in 2000 to 9 days in 2004;
- Continuing cuts in manufacturing costs;
- Significant reductions in transit loss and damage.²⁸

2.2. Corporate social responsibility and sustainability

A corporation's social responsibility should cover all of its suppliers, subcontractors, licensees, alliances and anyone serving the company, irrespective of the formal relationship, the nature of the product or service concerned, or the geographic location. For this research project, SOMO uses a definition of Corporate Social Responsibility (CSR) that is endorsed by a great number of civil society organizations in the Netherlands. This definition is thoroughly explained and specified in the CSR Frame of Reference of the Dutch CSR Platform.²⁹

As Fujitsu Siemens Computers is a joint venture, CSR policies as well as issues related to the parent companies Fujitsu and Siemens will also be mentioned.

2.2.1. Siemens' CSR policies and practices

According to Siemens, the company observes and respects local laws and statutory requirements as the legal foundation of its business activities in all of the countries in which it does business. Siemens also aligns itself with recommendations and standards published by national and international organizations, "as these represent important guiding principles for global companies."

Countries' local laws and the recommendations issued by important organisations form the statutory framework governing Siemens' business activities. Siemens claims to place considerable emphasis on compliance with guidelines published by major organisations, and Siemens expects its suppliers and business partners to do the same. In this respect, Siemens refers to the following international norms:

- The United Nations' Universal Declaration of Human Rights (1948);
- The European Convention for the Protection of Human Rights and Fundamental Freedoms (1950);
- The International Labour Organization's (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (1977);
- The ILO's Declaration on Fundamental Principles and Rights at Work (1998);
- The Organisation for Economic Co-operation and Development's (OECD) Guidelines for Multinational Enterprises (2000);

²⁸ Fujitsu Siemens Computers website, Company information "European Supply Chain Excellence Award 2003," no date, <http://www.fujitsu-siemens.com/aboutus/company_information/business_excellence/process_exellence/supply_chain.html> (10 January 2005).

²⁹ "CSR is a process in which corporations take responsibility for the social, ecological and economic consequences of their actions – throughout their product and service delivery chains –making themselves accountable, and engaging in a dialogue with all those involved." Cf. Coalition of Dutch CSOs & Trade Unions actively promoting CSR, *CSR Frame of Reference* (Amsterdam: 2003).

- The UN's Agenda 21 on sustainable development (the plan of action agreed upon at the Earth Summit in Rio de Janeiro in 1992).³⁰

2.2.1.1. Siemens' Codes of conduct

Siemens has very elaborate Business Conduct Guidelines. The document comprises 13 pages and makes reference to the main international binding and voluntary frameworks stated above. The code itself basically contains general principles regarding ethical behaviour.³¹ Siemens also follows other complementary sets of principles: Corporate Principles, Guiding Principles for Promoting and Managing Diversity, Environmental Mission Statement, Health and Safety Guidelines and Corporate Citizenship Guidelines.³² All guidelines apply also to external experts, suppliers, contractors and other business partners.

2.2.1.2. Siemens' participation in the Global Compact

At the World Economic Forum at Davos on January 31st, 1999, UN Secretary-General Kofi A. Annan challenged world business leaders to "embrace and enact" the Global Compact, both in their individual corporate practices and by supporting appropriate public policies. Siemens decided to support the Global Compact in 2003. Since then, the company has not submitted any case studies, examples, projects or communications on progress to the Global Compact headquarters.

Global Compact participants are expected to communicate with their stakeholders on an annual basis about progress in implementing the Global Compact principles through their annual reports, sustainability reports or other corporate communications. Participants are also expected to submit a short description and a URL link to these communications on the Global Compact and / or Global Compact local network website.

According to the Global Compact website, "only those participants who communicate progress will be allowed to continue their participation in the Global Compact."³³ As of December, 2005, Siemens AG had not submitted any communications on progress to the Global Compact. This would imply that currently Siemens would not qualify for participation in the Global Compact.

2.2.1.3. Siemens' practices and issues regarding human and labour rights

Women in management positions

Siemens has had a program in place for the last four years that focuses on the advancement of all groups and nationalities, especially women. Now, 17 percent of the managers and "qualified experts" are women, an improvement over recent years. "We're doing this because there's a business case for it. When you have a problem to solve and only look at it through the eyes of a group of German white males, you'll probably solve the problem. But the chances are better if you have a group with different

³⁰ Siemens company website, International Guidelines, "Corporate governance & business practices", no date, <http://www.siemens.com/index.jsp?sd_c_p=t55cz2s2u20o1235619pCORPfl1mi1235613&> (28 June 2005).

³¹ Siemens AG, Business Conduct Guidelines, July 2005 (update) <http://www.siemens.com/Daten/siecom/HQ/CC/Internet/About_Us/WORKAREA/about_ed/templatedata/English/file/binary/bcg_de_1033145.pdf> (28 July 2005).

³² Siemens company website, International Guidelines, "Corporate Governance & Business Practices", no date, <http://www.siemens.com/index.jsp?sd_c_p=t55cz2s2u20o1235619pCORPfl1mi1235613&> (28 June 2005).

³³ <http://www.unglobalcompact.org/Portal/Default.asp> (18/1/2005).

backgrounds," says Peter Ramm, director of international social policy in Siemens' corporate personnel department.³⁴

Activities in Burma

In 2001, Siemens local company in Myanmar, Siemens Limited, was responsible for 18 employees. According to Siemens, the annual business volume of this company was about US\$ 10 million. In a letter to the International Confederation of Free Trade Unions, Siemens states that "the inclusion of countries like Myanmar in global cooperation and the resulting intercultural exchange will help the people and support changes more than isolation could."³⁵

Presence in Sudan

Several big European blue chips that are mainstays of global portfolios, such as Germany's Siemens and Alcatel of France, have ties to Sudan. A Siemens spokesman says the company has "very limited business, mainly focused on infrastructure and medical products." Some U.S. investors disapprove of Siemens' presence in Sudan. In October, 2004, Edward Smith, chairman of the Illinois investment board, sent letters to top officials at Siemens warning of growing pressure from U.S. investors. If there is no change in its commercial support for Sudan, Smith warned, "investors will be under continued pressure to reconsider their relationship with Siemens."³⁶

Pregnancy tests for female workers in Mexican maquiladoras

According to Human Rights Watch, in 1998, female employees at Siemens AG's Mexican plant in Ciudad Juarez were routinely required to undergo pregnancy tests before being offered work. They were also required to undergo inspection of sanitary napkins as a proof of non pregnancy in order to retain their jobs.³⁷

2.2.1.4. Siemens' practices regarding health

In 2004, Siemens received an award from The Global Business Coalition on HIV/AIDS (GBC) for "Business Excellence in the Workplace."³⁸

2.2.1.5. Siemens' lobby activities

Siemens is part of a corporate front group called USA*Engage, which aims to eliminate human rights considerations from U.S. international commercial policy.³⁹

Siemens Corporation in the United States supports a Political Action Committee (PAC).⁴⁰ For the 2006 elections, Siemens PAC had spent US\$ 174,851 by September 30, 2005. US\$ 147,499 had

³⁴ K. Capell, "Sex-Bias Suits: The Fight Gets Ugly", *BusinessWeek Online*, 6 September 2005.

<www.businessweek.com/magazine/content/04_36/b3898082_mz054.htm> (10 September 2005).

³⁵ Global Unions Website, "Companies linked with Burma", no date, <<http://www.global-unions.org/burma/replies/Siemens.jpg>> (23 June 2005).

³⁶ A. Borrus, "Hitting Sudan In The Pocketbook", *BusinessWeek Online*, 2 May 2005, <http://www.businessweek.com/magazine/content/05_18/b3931090_mz020.htm> (25 September 2005).

³⁷ Human Rights Watch website, "Corporations and their reported practices", no date, <<http://www.hrw.org/reports98/women2/Maqui98d-10.htm>> (23 June 2005)

³⁸ Global Business Coalition on HIV/AIDS, "The Global Business Coalition on HIV/AIDS Announces 2005 Awards for Business Excellence", *CSR Wire*, 31 January 2005, <www.csrwire.com/article.cgi/3482.html> (27 June 2005).

³⁹ Public Citizen website, *Global Trade Watch*, "Massachusetts Burma Procurement Law Challenged at WTO," no date, <http://www.citizen.org/trade/issues/burma/articles.cfm?ID=11103#_edn7> (23 June 2005).

been contributed to federal candidates (32 percent to Democrats, 68 percent to Republicans). In the 2004 elections, Siemens' PAC spent US\$ 353,865, of which US\$ 323,299 went to federal candidates (41% to Democrats, 59% to Republicans).⁴¹

In 2004, Siemens Corporation in the United States spent the amount of US\$ 840,000 on lobby activities on a variety of issues, amongst others⁴²:

- Transport (High Speed Rail Bond Bill);
- Telecommunications;
- (Nuclear) energy;
- Health (Medicare reimbursement, FDA reform, medication errors, public health preparedness against bioterrorism);
- Appropriations;
- International trade and business regulation.

By June 30, 2005, Siemens Corporation had already spent the amount of US\$ 1,901,931 on lobby activities in Congress and several federal agencies in the US.⁴³

2.2.2. Fujitsu's CSR policies and practices

2.2.2.1. Fujitsu's policies regarding human and labour rights

In accordance with the tenets of a core set of principles, Fujitsu has developed its own standards and systems aimed at "enabling individuals to cultivate their talents and capabilities to the fullest." "Although individual group company programs, structures and practices vary to some extent based on local norms," across the group, Fujitsu seeks to "bring out the best in every employee by providing a safe, healthy and enjoyable workplace, as well as challenging tasks and opportunities for professional enrichment."

Human rights

Fujitsu promotes respect for human rights - a key element of its Code of Conduct - through various employee education initiatives, including a mandatory online course for all Fujitsu Limited employees. Dedicated help-line service is also available for any employees wishing to report related issues or problems.

Health and Safety

Extensive activities are undertaken at every plant and office location to prevent workplace accidents and ensure a safe and healthy work environment. In addition, a broad range of support is provided to help employees maintain physically and mentally healthy lifestyles, including health education, counselling and other services.

⁴⁰ PAC is a popular term for a political committee organized for the purpose of raising and spending money to elect and defeat candidates. Most PACs represent business, labour or ideological interests.

⁴¹ Opensecrets website, Political Action Committees, "Siemens Corp", no date, <www.opensecrets.org/pacs/lookup2.asp?strid=C00353797&cycle=2006> (29 June 2005).

⁴² Office of Public Records Lobby Filing Disclosure Program, "Siemens Corporation", no date, <http://sopr.senate.gov/cgi-win/opr_gifviewer.exe?/2005/01/000/121/000121936|11> (29 June 2005).

⁴³ Ibid. (1 December 2005).

Code of conduct

Fujitsu's code of conduct comprises the following "fundamental rules":

- Respect human rights
- Protect intellectual property
- Comply with laws and regulations
- Reject unethical behaviour
- Maintain confidentiality
- Act with fairness in its business dealings⁴⁴

The code does not make any specific reference to international agreements, standards or regulations.

2.2.2.2. Policies regarding the environment

The Fujitsu Group states that it recognises that environmental protection is a vitally important business issue. By utilizing its technological expertise in the IT industry and its "creative talents," the company seeks to contribute to the promotion of sustainable development. In addition, while "observing all environmental regulations" in its business operations, Fujitsu is actively pursuing environmental protection activities on its own initiative. Fujitsu says that it continuously strives to safeguard a rich natural environment for future generations.

The company has the following principles regarding the environment:

- Fujitsu strives to reduce the environmental impact of its products throughout the product lifecycle.
- Fujitsu is committed to conserving energy and natural resources, and practice a 3R approach (reduce, reuse, recycle) to create best-of-breed eco-friendly products.
- It seeks to reduce risks to human health and the environment from the use of harmful chemical substances or waste.
- Through its IT products and solutions, Fujitsu helps customers reduce the environmental impact of their activities and improve environmental efficiency.
- Fujitsu discloses environment-related information on its business activities, products and services, and it utilizes the resulting feedback to critique itself in order to further improve its environmental programs.
- Fujitsu encourages its employees to work to improve the environment, bearing in mind the impact of their business activities and their civic responsibilities.⁴⁵

2.2.2.3. Fujitsu's practices and issues regarding human and labour rights

Gender

Fujitsu employs 3,000 workers in its plant in the Laguna export processing zone in the Philippines. According to the International Confederation of Free Trade Unions (ICFTU), eighty per cent of the workforce is female, "because they are better than men," says Masaaki Nagamine, the chairman of

⁴⁴ Fujitsu company website, Corporate Profile, "The Fujitsu Way," no date, <<http://www.fujitsu.com/global/about/profile/thefujitsuway/>> (28 June 2005).

⁴⁵ Fujitsu company website, Environment, "Fujitsu Group Environmental Policy," no date, <<http://www.fujitsu.com/global/about/environment/policy>> (28 June 2005).

the Philippine branch of Fujitsu (FCCP), adding that they barely cost one fifth as much as a skilled worker in Japan.⁴⁶

Investments in Angola

Fujitsu, one of the partners in the Fujitsu Siemens Computers joint venture, also participates in other joint ventures. Fujitsu has a five percent stake in the Dai Ichi Kangyo (Kabushiki Kaisha World Gateway) conglomerate. Since 1986, the company has had a joint venture with Nissho Iwai Corporation. Nissho Iwai provided initial funding plus further loans to the Angolan state-owned company Sonangol. Angola ranks among the most destitute countries in the world. The presence and role of multinational corporations in Angola therefore presents analysts and responsible business with an ethical dilemma. Multinationals active in the country must, almost by definition, be partially assessed in terms of their contribution to social and economic development.

Since loans are backed by oil, they are relatively secure for the foreign banks, although most are short-term and charged at relatively high interest rates. A shipment of oil will be sold to either a refiner or a broker, and the payment will be placed directly into an offshore escrow account that is subject to strict international banking laws. Repayments for loans received by the government or Sonangol are paid out of the account, thus guaranteeing that Angola does not default. The government then continues to make deliveries to maintain the required level in escrow.⁴⁷ To further ensure repayment, banks back their lending against two offshore oil trusts, Cabinda and Soyo-Palanca, which receive priority shipments, and are again subject to strict oversight. As oil prices rise, fewer deliveries need to be made to service the loans, but as prices fall, more are necessary. As a result, money does not funnel through the proper budgetary channels within the Angolan financial system, allowing the government to resist calls for increased transparency.⁴⁸

Legal complaint against Fujitsu in South Africa

In 2002, South African victims of apartheid filed a complaint for apartheid reparations against 20 major international companies and banks in a New York court. The companies named in the lawsuit, in which no compensation figure was detailed, included banks from Britain, Germany, Switzerland and the United States as well as corporations based in France and the Netherlands. Fujitsu Ltd. was included in the lawsuit because it had acquired an 80 percent stake in ICL in 1990. By 1998, Fujitsu completed its ownership of ICL and began to operate as Fujitsu Service. According to the Jubilee South Africa pressure group, ICL played a crucial role in sustaining the apartheid government. The outcome of this legal process is still pending.⁴⁹

2.2.2.4. Fujitsu's practices and issues regarding the environment

⁴⁶ International Confederation of Free Trade Unions (ICFTU), *Behind the brand names: working conditions and labour rights in export processing zones* (IFCTU: December 2004), p. 11.

⁴⁷ Escrow: an agreement between two people or organizations in which money or property is kept by a third person or organization until a particular condition is completed.

⁴⁸ H. Richard Dietrich, *Ethical considerations for multinationals in Angola*, 2000, <<http://www.iss.co.za/Pubs/BOOKS/Angola/12Dietrich.pdf>> (10 January 2005) p. 247.

⁴⁹ iAfrica website, *News, SA News*, "Apartheid victims file lawsuit in US", 12 November 2002, <<http://iafrica.com/news/sa/184666.htm>> (27 June 2005).

In 2003, Fujitsu set out to cut back on consumption of electricity, oil and gas by 25 percent from 1990-91 levels in the year ending March 2004. It surpassed its own target with a reduction of 28.6 percent.⁵⁰

The Fujitsu company also appears to be taking steps to improve its management of toxic chemicals. In contrast to many companies that are dismissive of hazards from hormone-disrupting chemicals (endocrine disruptors), Fujitsu states that it is evaluating and hopes to reduce the annual use by its facilities of approximately 70 chemicals that Japan's Ministry of Environment has designated as exerting potentially harmful endocrine effects. For example, the Fujitsu Group's reported use of Bisphenol-A went from 83,000 kilograms in fiscal year 2001 to 63.4 kilograms in FY 2003.⁵¹

2.2.3. Fujitsu Siemens Computers' CSR policies and practices

2.2.3.1. Fujitsu Siemens Computers' policies regarding human and labour rights

Fujitsu Siemens Computers developed an expanded Business Ethics and Conduct Policy in fiscal year 2004/2005. According to the company, this value code dictates Fujitsu Siemens Computers' conduct vis-à-vis business partners, colleagues and the general public: "It calls on each of us to observe the highest ethical and legal standards in all strategic considerations as well as in our everyday business. The Business Ethics and Conduct Policy covers a multitude of topics, including management responsibility, our dealings with suppliers, customers and colleagues, fair competition, confidentiality, insider trading as well as health and safety in the workplace."⁵²

It is not possible to assess the quality of Fujitsu Siemens Computers' Business Ethics and Conduct Policy since the policy is not available on the internet nor intended for the general public.

In its annual report 2004/2005, Fujitsu Siemens Computers states that it is preparing to participate in the Global Compact. The company intends to add a mandatory Ethical Standards annex to its supplier agreement that will deal with basic ethical issues such as equality, safety in the workplace and the elimination of child labour.⁵³

2.2.3.2. Fujitsu Siemens Computers' policies and practices regarding the environment⁵⁴

⁵⁰ World Business Council for Sustainable Development website, Document details, "Japanese companies take lead in sustainable development", 3 April 2005, <<http://www.wbcsd.ch>> (27 June 2005).

⁵¹ R. Liroff, Protecting public health, increasing profits and promoting innovation by benchmarking corporate governance of chemicals in products, January 2005, <www.rosefdn.org/liroffreport.pdf> (27 June 2005) p.18.

⁵² Fujitsu Siemens Computers, Annual Report 2004/2005 <www.fujitsu-siemens.com/rl/aboutus/annual_report/2004/download/fsc_report_2005_final.pdf> (1 December 2005), p.48.

⁵³ Ibid, p. 49.

⁵⁴ This paragraph was adapted from the following report: W. van der Naald, Fujitsu Siemens Computers Company Profile, 16 November 2004, <www.greenpeaceweb.org/lichaamzondergif/dossiers/fujitsusiemens.pdf> (28 June 2005). Specific references can be found in this report.

Fujitsu Siemens Computers' corporate policies are outlined on the company's website and annual reports. The company does not release separate Social Responsibility Reports but does provide online ECO declarations and datasheets including environmental specifications for all its products.

The company's environmental policy is based on the following aspects:

- No hazardous substances in the product
- Modular design of the system unit
- Take-back warranty
- Construction consideration of disassembling
- Only reusable synthetics
- Declaration of all synthetic components
- Moderate sound level
- Batteries without cadmium and mercury
- Power management

These are integrated into development processes through the following steps:

Product definition

- Environmental relevant requirements are integrated into product agreements

Check points during development flow

- Suppliers' affirmations for units and components
- Observance of the list of banned substances and substances to be avoided
- Suppliers' affirmation for housing synthetics
- Suppliers' affirmation for circuit boards
- Recycling analyses for new product lines
- Evaluation of recycling friendliness
- Calculation of recycling costs enters into economic product plan

Environmental conformity check

- Creation of Eco declaration

Fujitsu Siemens Computers' chemicals policy is outlined in its document Guideline FSC 03230, which is not available on the company's website but available for suppliers. The guideline applies throughout Fujitsu Siemens Computers and must be applied during planning, development and introduction of hardware products within the company.

The guideline refers to the Siemens Norm SN 36350-2 (October 2003) for restrictions on hazardous substances, which contains a list of prohibited substances and a list of substances to be avoided. The list of prohibited substances is based on legal requirements in the EC and other countries and is mandatory for suppliers. Suppliers are required to comply with the document and are held responsible for meeting all relevant regulations. Furthermore, suppliers have to document the type and amount of hazardous substances in all permissible exceptions of materials, subassemblies and components.

The list of restricted substances includes PBBs and PBDEs, as well as various metals and metal compounds, ozone depleting substances and some other organic compounds.

The substances on the list of 'substances to be avoided or declared' should be avoided where possible, or at least minimized if they cannot be avoided for technical reasons or because of reliability requirements. All listed substances that cannot be avoided must be declared per product. The list of

avoided or declared substances includes some additional substances such as chlorinated paraffins and DBP and DEHP. Criteria for including substances on the lists include CMR (Carcinogenic, mutagenic, toxic to reproduction, Categories 1 and 2); persistence and bio-accumulative; and water polluting.

In addition to these requirements, Fujitsu-Siemens Computers applies stricter binding requirements, which are based on ecological requirements from, among others, Sweden, Switzerland, and the USA, including "Blauer Engel" (Blue Angel), Nordic Ecolabeling (Nordic Swan), TCO'99, Energy star, Groups for Energy Efficient Appliances (GEEEA) and ECO-Declaration guidelines.

'Green' products

Fujitsu Siemens Computers has defined its own strict limits for certain product groups that are labelled 'green' products by the company. A manufacturer's declaration of the environmental characteristics (ECO Declaration) must be issued for each product prior to release for series production (MS 70).

Current 'green' product lines introduced by Fujitsu Siemens Computers are SCENIC professional PC, CELSIUS workstations and OEM mainboards. In April, 2004, the SCENIC E Green PC won the "Innovation of the Year" award in the Environmental category from PC Professionell magazine. In 2004, the sale of green PCs hit the 400,000 mark, accounting for one quarter of all professional PCs sold.⁵⁵

The 'green' products account for 15 percent of total sales. Fujitsu Siemens Computers is expanding its green product lines to include various business PC and workstation models. It anticipates that environmentally sound products will double their percentage share of total sales from 15 to 30 during the current fiscal year. It is the company's goal to achieve the high 'green' standard for all of its products.

Fujitsu Siemens Computers assumes the role of pioneer for itself in developing environmentally-conscious products and prides itself on being the first manufacturer to market a PC awarded the 'Blue Angel' and to exceed the criteria of Nordic Swan.

Electronic Waste

Production of electrical and electronic waste (e-waste) is rising dramatically, especially in Western countries, which makes e-waste the most rapidly growing waste problem in the world. This waste stream contains hazardous materials used in electrical and electronic equipment such as lead, beryllium, mercury, cadmium, and brominated flame retardants.

The Basel Action Network and other NGOs recently concluded in a study that an estimated 50 to 80 percent of the millions of kilograms of electronic waste from obsolete computers and TVs collected for recycling in the US are being exported.⁵⁶ Most of it ends up in recycling and disposal operations in China, India and Pakistan. These disposal operations are extremely polluting and likely to be very

⁵⁵ Fujitsu Siemens Computers, *Annual Report 2004/2005 - Mapping out Responsibility*, no date, < http://www.fujitsu-siemens.com/rl/aboutus/annual_report/2004/download/fsc_report_2005_final.pdf > (18 August 2005), p.46.

⁵⁶ J. Puckett et al., *Exporting Harm: The High-Tech Trashing of Asia* (The Basel Action Network (BAN) / Silicon Valley Toxics Coalition (SVTC): 2002).

damaging to human health due, for example, to the open burning of plastic waste, exposure to toxic solders, dumping of acids in rivers and widespread general dumping.

E-waste is exported due to the cheaper labour and absence of environmental standards in Asia and because such exports are still legal in the United States. The study also concluded that due to a serious failure of responsibility on the part of the federal government and the electronics industry, consumers, recyclers and local governments are left with few viable, sustainable options for e-waste.

To tackle the growing volume of electronic waste in Europe, the EU adopted what is known as the European Commission Directive on Waste from Electrical and Electronic Equipment (or WEEE) on January 27, 2003. This Directive holds producers responsible for the waste from electrical and electronic products. According to the Directive, specific treatment of WEEE is indispensable for preventing the dispersion of pollutants into recycled material and priority should be given to the reuse of the waste and its components. Producers (or third parties acting on their behalf) are responsible for the treatment of WEEE using best available treatment, recovery and recycling techniques.

The WEEE Directive is a new legal framework within which producers are obliged to contribute or to organise the disposal, recycling or recovery of the goods they market after September, 2005. Producers are also obliged to handle the recycling of a proportion, based on their market share year by year, of the waste from products sold before September, 2005.

When plans for the European legislation emerged, the American Electronic Association (AEA) – whose 3,000 member-companies include IBM, Microsoft, Motorola, and Intel - and the US Trade Representative conducted a major offensive against the WEEE directive. They charged that the legislation violates the free trade rules of the World Trade Organization (WTO) because it imposes requirements on foreign manufacturers.

A second Directive, Directive 2002/95/EC, Restrictions of Hazardous Substances (also known as “RoHS”), provides for the phasing out of hazardous substances commonly used in electronics, including mercury, lead, cadmium and other toxic chemicals such as some brominated flame retardants by July 1, 2006.

In anticipation of the RoHS, Fujitsu Siemens Computers states that their Green PCs already use only three instead of 12 grams of lead on the motherboard and that the chloride and bromide components on the system board have been reduced from 12 to less than 0.15 percent. Furthermore, Fujitsu Siemens Computers claims to be the only company producing PCs containing only one gram of lead. By the end of 2005, all Fujitsu Siemens Computers business products will be RoHS-compliant. By spring, 2006, all consumer products will have been converted as well. All Fujitsu Siemens Computers suppliers are required to comply with the company’s environmental standards. The company states that 75 percent of their suppliers comply with RoHS⁵⁷.

Fujitsu Siemens Computers is not a member to the European Industry Association for Information Systems, Communication Technologies and Consumer Electronics (EICTA), but both its parent companies, Fujitsu and Siemens, are. This trade organisation lobbies EU Institutions for trade

⁵⁷ Fujitsu Siemens Computers, Annual Report 2004/2005- Mapping out Responsibility, no date, < http://www.fujitsu-siemens.com/ri/aboutus/annual_report/2004/download/fsc_report_2005_final.pdf > (18 August 2005), p.46-48.

liberalisation, promotes voluntary regulations and reporting and tries to avoid legislation. EICTA works together with AEA, CEFIC (European Chemicals Industry Council) and other industry associations.

Fujitsu Siemens Computers operates its own remarketing and recycling centre in Germany. Devices are remarketed (as complete systems), the parts offered for reuse or totally dismantled and sorted into various material categories for recycling.

Recyclability is also integrated into design and development work. All raw materials recovered are recycled when possible. The company took back 2,600 tons of material in fiscal year 2003/2004, of which 98 percent was recovered and recycled.

Fujitsu Siemens Computers plans to expand the capacity of its recycling centre to accommodate private customers and to comply with the upcoming EU directive on Waste Electrical and Electronic Equipment.

Use of brominated flame retardants (BFRs)

Fujitsu-Siemens has not yet committed to removing BFRs and PVC plastic from all its products despite pressure to do so from NGOs such as Greenpeace.⁵⁸

⁵⁸ "Computer giant HP mute over toxin use", *China View*, <http://news.xinhuanet.com/english/2005-05/24/content_2994311.htm> (27 June 2005).

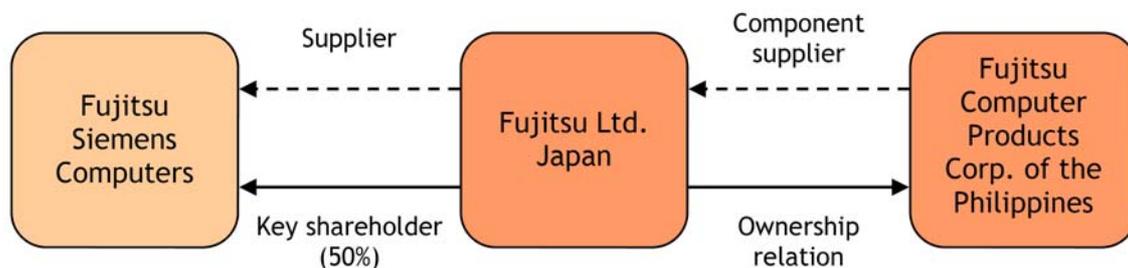
3. Labour issues in Fujitsu Siemens Computers' supply chain

3.1. Fujitsu Siemens Computers' supply chain in the Philippines and China

In order to identify issues with regard to Fujitsu Siemens Computers' corporate social responsibility in relation to its supply chain, SOMO commissioned field research studies in the Philippines and in China. These studies focus on important contract manufacturers in Fujitsu Siemens Computers' supply chain and were undertaken by the researchers from the Philippine Resource Centre - Manila (PRC-Manila) and Monina Wong from Labour Action China (LAC).

In the Philippines, research was carried out on Fujitsu Computer Products Corp. of the Philippines, a subsidiary of Fujitsu Ltd. in Japan. Fujitsu owns four subsidiaries in the Philippines. All four are among the largest corporations in the Philippines. Fujitsu Computer Products Corp. of the Philippines is the largest Philippine subsidiary of Fujitsu Ltd. It manufactures hard disk drives. Fujitsu Computer Products of the Philippines purchases raw materials, machinery, equipment and tools from its parent company and certain affiliated companies and sells finished goods to them. The company employs about 6,000 people, 96 percent of which are female.⁵⁹ Components that are produced at Fujitsu Computer Products in the Philippines are used in the assembly of computers produced by Fujitsu Siemens Computers.

Relation between Fujitsu Siemens Computers and Fujitsu Computer Products Corp. of the Philippines

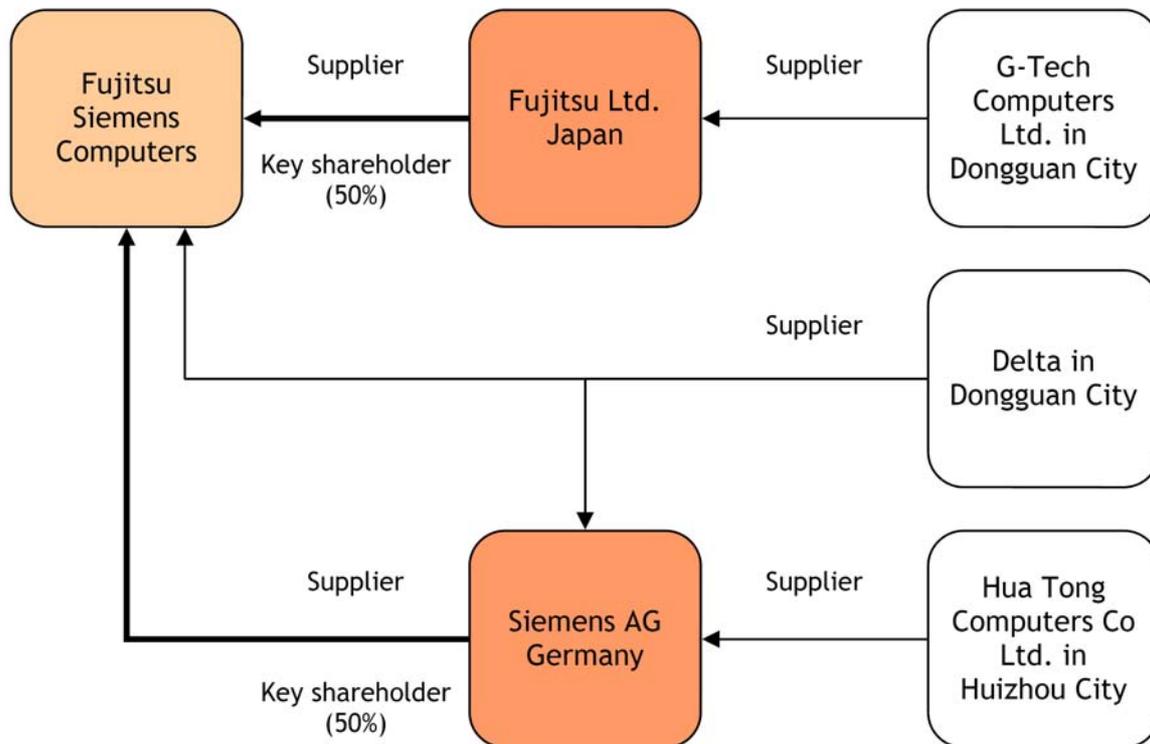


In China, field research covered three factories in Dongguan City and in Huizhou City. All factories are owned by Taiwanese original design manufacturers (ODMs) that supply to Fujitsu, Siemens and Fujitsu Siemens Computers. G-Tech Computers Co Ltd. is located in Dongguan city and manufactures computer cases, plastic boards and accessories for notebook computers and cell phones. G-Tech buyers include Fujitsu, Dell, IBM and others. Located in the same city is Delta Company, which has subsidiary plants in mainland China and Thailand. Delta is the world's largest manufacturer of adaptors and capacitors for computers. The Dongguan factory complex consists of a number of plants manufacturing adaptors, capacitors, cooling fans for computers and other accessory products for computers and telecommunication products. Delta's buyers include Siemens, Dell and Foxconn, a Taiwanese ODM company. The third company included in the research is Hua Tong Computers Co Ltd., which is located in Huizhou city. The company manufactures circuit boards for computers and cell phones and sells to buyers such as Siemens, Nokia and Foxconn. All three companies employ a sizeable workforce recruited through vocational schools in inland provinces in

⁵⁹ Fujitsu website, "Subsidiaries", Fujitsu Computer Products Corporation of the Philippines, no date, <<http://www.fujitsu.com/ph/about/subsidiaries/fcpp/>> (2 December 2005).

China. Delta is the largest company, employing about 20,000 workers in Dongguan. Hua Tong employs 3,000 workers, while G-Tech has a workforce of about one thousand people.⁶⁰

Relations between Fujitsu Siemens Computers and researched factories in China⁶¹



3.2. International standards on labour rights

Research teams in both the Philippines and in China used national laws and international CSR standards as a reference to identify social and labour issues in Fujitsu Siemens Computers' supply chain. The following standards, guidelines and frameworks are considered to be particularly relevant in the context of the research project:

- The Universal Declaration of Human Rights⁶²
- The UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights⁶³

⁶⁰ M. Wong, *The ICT hardware sector in China and corporate social responsibility issues: with case studies on the supply chain of Fujitsu-Siemens Computers and Acer Inc.* (Hong Kong: Labour Action China, 2005), p. 17.

⁶¹ Cf. Delta Group website, "Valued partners", no date, <http://www.deltawww.com/company/about_best.asp#> (2 December 2005); M. Wong, *The ICT hardware sector in China and corporate social responsibility issues: with case studies on the supply chain of Fujitsu-Siemens Computers and Acer Inc.* (Hong Kong: Labour Action China, 2005).

⁶² Cf. UN website, *Universal Declaration of Human Rights*, no date, <www.unhchr.ch/udhr/lang/eng.htm> (31 October 2005).

⁶³ Cf. UN website, *Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights*, 26 August 2003, <[www.unhchr.ch/huridocda/huridoca.nsf/\(Symbol\)/E.CN.4.Sub.2.2003.12.Rev.2.En?Opendocument](http://www.unhchr.ch/huridocda/huridoca.nsf/(Symbol)/E.CN.4.Sub.2.2003.12.Rev.2.En?Opendocument)> (31 October 2005).

- The Conventions of the International Labour Organisation (ILO)⁶⁴
- The OECD Guidelines for Multinational Enterprises⁶⁵
- The CSR Frame of Reference from the Dutch CSR Platform⁶⁶

The Conventions of the International Labour Organisation (ILO) are most specific in defining corporate behaviour regarding employment. The ILO has issued almost 200 conventions on working conditions. Eight of these ILO conventions specify the four fundamental labour rights. These four labour standards are:

- Freedom of association and collective bargaining (ILO conventions 87, 98 and 135)
- No forced labour (ILO conventions 29 and 105)
- No child labour (ILO conventions 138 and 182)
- No discrimination, for example with reference to the sexes (ILO conventions 100 and 111)

The Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy extends the ILO conventions, listing corporate responsibilities with regard to labour issues and also including a number of additional labour standards falling under the specific responsibility of corporations:

- The right to security of employment (Tripartite Declaration, Art. 24-28)
- A living wage that covers basic needs (ILO conventions 26 and 131)
- Healthy and safe working conditions (ILO convention 115)
- Compliance with the maximum number of working hours (48 + 12) (ILO convention 1)

The findings of the field research studies in the Philippines and in China, taking into account the abovementioned international standards, will be described in the following paragraphs.

3.3. Excessive working hours

Researchers from the Philippine Resource Centre found that most workers at Fujitsu Computer Products in the Philippines have to work 12 hours a day, 6 days a week. This means that they work 72 hours every week throughout the year. Intimidation and coercion are used to force workers to do overtime. Workers are made to sign documents indicating that they voluntarily agree to do overtime, especially during their days-off.⁶⁷

According to the Philippine Labour Code, the normal hours of any employee shall not exceed eight hours a day. Exceptions can be made in “emergency cases,” in which employers may require any employee to do overtime work.⁶⁸ At Fujitsu Computer Products, there are no emergency

⁶⁴ Cf. ILO website, ILOLEX, no date, <www.ilo.org/ilolex/english/convdisp1.htm> (31 October 2005).

⁶⁵ Cf. OECD website, *Text of the OECD Guidelines for Multinational Enterprises*, no date, <www.oecd.org/document/28/0,2340,en_2649_34889_2397532_1_1_1_1,00.html> (31 October 2005).

⁶⁶ Cf. Coalition of Dutch CSOs & Trade Unions actively promoting CSR, *CSR Frame of Reference*, July 2003, <www.mvo-platform.nl/mvotekst/CSR%20frame%20of%20reference.pdf> (31 October 2005).

⁶⁷ Philippine Resource Centre – Manila & SOMO, *Corporate Social Responsibility Behaviour of multinational corporations in the global information and communication technology supply chain in the Philippines* (Manila: April 2005), p. 36.

⁶⁸ Labour Code of the Philippines, Book Three, conditions of employment, Title I, working conditions and rest periods, chapter I, hours of work, art. 84, no date, <<http://www.chanrobles.com/legal4labor2.htm#BOOK%20III>> (5 December 2005).

cases; overtime seems to be structural. Fujitsu Computer Products Corp. of the Philippines clearly does not act in compliance with ILO convention 1, which states that working hours shall not exceed 48 per week.

In China, workers at the three companies researched generally work more than ten hours a day in the peak season. At G-Tech, the workers of the pressing and the colour coating department usually have ten to 11-hour working days, whereas the assembly workers have to work ten to 13 hours in the peak season. Hua Tong employees work between ten and 12 hours a day (in two shifts) in the peak season. Hua Tong workers complain strongly about long working hours. During the peak season, these workers do not have a single day off for months. The same problem occurs at Delta and G-Tech. Only in the low season do workers have one or two days off a week. At all three companies workers only have a short break of 30 minutes for lunch and dinner.⁶⁹ None of the three factories researched in China seem to comply with ILO convention 1 during the peak season.

3.4. Wages and compensation for overtime work

At Fujitsu Computer Products in the Philippines, about 75 percent of the company's workforce is composed of young women. Most of these women are aged between 18 and 26. Many of them are under 18 years old. About 80 percent of the workers work in the production department of Fujitsu Computer Products. According to the workers interviewed, all receive the legally mandated minimum wage. All regular workers receive 13th month pay, whereas temporary workers do not. The company provides maternity leaves for two months and pays for short sick leaves.⁷⁰ Although wages paid at Fujitsu Computer Products are in accordance with the Philippine Labour Code, salaries are still too low to provide workers with an adequate standard of living "with a view to progressive improvement" as stated in the UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises. A worker at the Fujitsu Computer Products told the researchers how, after the birth of her first child, her husband had to sell his tricycle, on which he depended to earn some extra money. As her husband no longer had the means to bring in some extra cash, the family, with two children, was slowly drawn into debt. They lived mostly on bread, rice, instant noodles and canned or dried fish and only eat better food with meat, fish and vegetables four days a month.⁷¹ This example is one of many and demonstrates that the wages paid at Fujitsu Siemens - though higher than the national minimum - are far from being living wages.

In all three factories researched in China, the basic wage is below the minimum wage, with performance-related incentives, such as attendance and performance bonuses, topping up wages. The legal monthly minimum wage in Dongguan and Huizhou city (on the basis of eight-hour working days during 21.5 days a month) is RMB 450 (€ 47.03). The legal minimum wage should thus be RMB 20.93 (€ 2.19) per day and RMB 2.6 (€ 0.28) per hour. Delta, however, pays RMB 280 (€ 29.26) a month to probation workers and raises that amount eventually to RMB 410 (€ 42.85) to regular workers (those who have worked for more than one year for the company). G-Tech pays probation workers RMB 12 (€ 1.25) a day and RMB 14 (€ 1.46) a day to regular workers. Hua Tong workers receive RMB 13.4 (€ 1.40) a day during their probation period. Hua Tong therefore pays only 64

⁶⁹ M. Wong, *The ICT hardware sector in China and corporate social responsibility issues: with case studies on the supply chain of Fujitsu-Siemens Computers and Acer Inc.* (Hong Kong: Labour Action China, 2005), p. 18.

⁷⁰ Philippine Resource Centre – Manila & SOMO, *Corporate Social Responsibility Behaviour of multinational corporations in the global information and communication technology supply chain in the Philippines* (Manila: April 2005), p. 32.

⁷¹ *Ibid.*, p. 56; I. Schipper & Esther de Haan, *CSR issues in the ICT hardware manufacturing sector: SOMO ICT sector report* (Amsterdam, SOMO: 2005), p. 66.

percent of the legal monthly wage to probation workers. G-Tech pays just 57 to 67 percent of the legal wage to its workers.⁷²

Basic wages paid versus the legal minimum wage in Dongguan and Huizhou city (in RMB)

	Daily wage	Monthly wage
<i>Legal minimum</i>	20.93	450
Delta		280 (probation workers) 410 (regular workers)
G-Tech	12 (probation workers) 14 (regular workers)	
Hua Tong	13.4 (probation workers)	

Due to these low basic wages, workers also receive less overtime compensation than legally required. Hua Tong pays 150, 200 and 300 percent of the basic hourly wage respectively for overtime work on weekdays, in the weekends and statutory holidays. This means Hua Tong is paying only RMB 2.5 (€ 0.26), RMB 3.35 (€ 0.35) and RMB 5 (€ 0.52) per hour for overtime work, which is much lower than the legal overtime rate of RMB 2.7 (€ 0.28) per hour for weekdays, RMB 5.2 (€ 0.54) per hour in the weekends and RMB 7.8 (€ 0.81) per hour during statutory holidays. Delta only pays RMB 2.5- 3.5 (€ 0.26 - 0.37) per hour for overtime work on weekdays and RMB 3.2 - 4.6 (€ 0.33 – 0.48) per hour for overtime work during weekends. G-Tech is the worst case, as the company pays a standard overtime rate of RMB 2.25 (€ 0.24) per hour starting after the 208th hour in the month for all workers (, according to law, the 172nd hour should be the overtime threshold for normal work). If workers cannot meet the daily production quota, the hourly overtime rate is deducted. To compensate for the low basic wage payment, all three companies provide for several incentives to “promote” worker productivity. The incentives scheme of Hua Tong, for example, includes RMB 50 (€ 5.23) per month for full attendance, RMB 250 (€ 26.13) per month as performance bonus based on assessment (although workers complain that they can get, at most, RMB 150 (€ 15,68) a month as performance bonus), RMB 4 (€ 0.42) per day for nightshift work and RMB 50 (€ 5.23) per month as a Hua Tong bonus after the probation period. A worker’s monthly income is largely composed of all these incentives and overtime work bonus and compensation. In the case of Delta, workers receive RMB 60 (€ 6.27) a month for full attendance, RMB 60 to 200 (€ 6.27 - € 20.90) a month as performance bonus and RMB 4 (€ 0.42) day for nightshift work. G-Tech, however, does not have incentive schemes like the other two companies, and the workers interviewed have strong complaints about low wages. On average, G-Tech workers receive RMB 500 to 600 (€ 52.25 – 62.70) a month. Delta workers receive about RMB 700 to 800 (€ 73.15 – 83.60) a month. In the peak season, wages at G-Tech are higher: workers are then paid RMB 800 to 900 (€ 83.60 – 94.05) a month.⁷³

In all cases, both in the Philippines and in China, wages are hardly high enough to provide an adequate standard of living, “with a view to progressive improvement”, as stated in the UN Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights.⁷⁴ ILO Conventions 26 and 131 also refer to the right of workers to a living wage.

⁷² M. Wong, *The ICT hardware sector in China and corporate social responsibility issues: with case studies on the supply chain of Fujitsu-Siemens Computers and Acer Inc.* (Hong Kong: Labour Action China, 2005), p. 17.

⁷³ Ibid., p. 17-18.

⁷⁴ Cf. UN website, *Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights*, 26 August 2003,

3.5. Employment relationship and job security

According to the researchers from the Philippine Resource Centre, workers at Fujitsu Computer Products are laid off when the demand for products is low. Mergers and partnerships between companies also cause workers to feel unstable in their employment, never knowing if they will be next. For example, in 2002 and 2003, Fujitsu Computer Products of the Philippines dismissed 1,700 and 1,293 workers during a reorganisation. Many of these workers accepted financial compensation in exchange for voluntarily dismissal. Many of those who accepted this compensation were unable to find new jobs. As a consequence, workers were reluctant to accept voluntary dismissal in the next wave of dismissals. Those who resisted were then dismissed - the employer used tactics such as dredging up old records that showed that they had been late on several occasions, being below or above a certain age when they applied, exceeding sick leave etc. Although these "mistakes" were made in the past, the company used them as an excuse to dismiss workers whenever necessary, without severance pay. Workers at Fujitsu Computer Products are now afraid to refuse overtime and are afraid that they might be dismissed if they make mistakes. At the time of the study, the company announced that workers would be transferred to another company, causing a lot of anxiety among the workforce. At the same time, Fujitsu Computer Products of the Philippines is hiring considerably younger workers, some of them even under 18.⁷⁵

In China, all three companies researched recruit workers between 18 and 25 years old, mainly through vocational schools in inland provinces. About 60 percent of these recruited workers are women. Students from the inland vocational schools usually pay about RMB 500 to 600 (€ 52.25 - € 62.70) for job placement. All researched factories have a three-month probation period for new workers. After this period, the management should give them a one-year contract. Very often, however, workers do not receive a copy of their contract. According to the Chinese labour law, workers can resign if they observe a one month's advance notice. Some companies, such as Delta, may not approve of worker's resignation in the peak season.⁷⁶

All three companies researched in China provide social security according to the local law. The Chinese government requires employers to pay old age, medical, work injury and unemployment insurance to the local Ministry of Labour and Social Security.⁷⁷

Many workers at the companies researched in China complain about the stringent quality control and strict work discipline on the shop floor. Workers at Delta, for example, are not allowed to talk or leave the workplace without authorisation. G-Tech requires workers to finish the daily production quota before off time, and overtime rates are deducted if they fail to meet the quota. Such practices aggravate workers' stress at these companies. Hua Tong adopts the most comprehensive disciplinary measures for production line workers. Workers are obliged to pay fines of at least RMB 50 (€5.23) for violations of factory rules or quality requirements. In the peak season, workers are not allowed to take leave without permission. Unauthorised leave means losing the full attendance bonus and the

<[www.unhchr.ch/huridocda/huridoca.nsf/\(Symbol\)/E.CN.4.Sub.2.2003.12.Rev.2.En?Opendocument](http://www.unhchr.ch/huridocda/huridoca.nsf/(Symbol)/E.CN.4.Sub.2.2003.12.Rev.2.En?Opendocument)> (31 October 2005), chapter D. Rights of Workers, § 8.

⁷⁵ Ibid., p. 32-33.

⁷⁶ M. Wong, *The ICT hardware sector in China and corporate social responsibility issues: with case studies on the supply chain of Fujitsu-Siemens Computers and Acer Inc.* (Hong Kong: Labour Action China, 2005), p. 17.

⁷⁷ Ibid., 18.

performance bonus. Although there are complaint channels at Hua Tong, such as the complaint box, workers in general show no confidence in raising issues regarding working hours and wages.⁷⁸

3.6. Health and safety issues

Fujitsu Computer Products in the Philippines maintains a medical facility on the premises of the company. In general, however, the company displays an enormous lack of responsibility towards the health of its employees. Workers who suffer from abnormally heavy bleeding and overly-long menstrual periods, colds, headaches, dizziness and flu due to malnutrition and fatigue are not allowed to go on leave. Instead, they are given a tablet and then required to go back to work. If the illness persists, workers cannot ask for additional medicine from the company clinic and must buy remedies at the company canteen. Most health problems experienced by the workers of Fujitsu Computer Products are related to the long working days they make. Tuberculosis in and around the company is rampant. Workers estimate that about five percent of the workforce has contracted the disease. Tuberculosis patients are given a paid sick leave of two months and are reinstated after recovery. Usually, their contracts are terminated at a later point.⁷⁹

In all three companies researched in China, occupational health and safety conditions are unsatisfactory. Assembly workers suffer from long hours of work, work-related stress, bad ergonomics and exposure to chemicals. Workers at Hua Tong are exposed to various kinds of chemical solvents used to clean circuit boards. Exposure causes skin allergy and eye irritation. Although the factory provides nylon gloves to the workers, the long exposure time to the chemicals, lack of rest time in the peak season and lack of education on safety and health increases the occupational hazards to the workers' health. Assembly workers in all the three factories have to stand working ten to 12 hours a day in the peak season and have no rest days. They all report having back pain, sore legs and other ergonomic problems. The assembly workers usually work longer hours than other workers and have daily production quota to finish. G-Tech workers, for instance, complain about high work-related stress as their wages are reduced if they cannot finish the daily quota. Workers in the testing department and quality control have eye problems and dizziness due to long hours of inspecting the circuit boards. Another major problem suffered by workers in the pressing department in all the three factories is noise. Workers in the pressing department from Delta and G-Tech complain about the lack of personal protective equipment. They are given ear plugs made from cotton, which is not effective to safeguard them from the noise hazards at the workplace. Neither of the factories provides regular hearing tests to their workers.⁸⁰

As attested by the findings of LAC, companies in Fujitsu's, Siemens' and Fujitsu Siemens Computers' supply chain in China fail to guarantee healthy and safe working conditions to their workers, in accordance with ILO convention 115.

⁷⁸ Ibid., p. 19.

⁷⁹ Philippine Resource Centre – Manila & SOMO, *Corporate Social Responsibility Behaviour of multinational corporations in the global information and communication technology supply chain in the Philippines* (Manila: April 2005), p. 34.

⁸⁰ M. Wong, *The ICT hardware sector in China and corporate social responsibility issues: with case studies on the supply chain of Fujitsu-Siemens Computers and Acer Inc.* (Hong Kong: Labour Action China, 2005), p. 19.

3.7. Freedom of association and the right to collective bargaining

There is no union at Fujitsu Computer Products in the Philippines. The contractual workers interviewed by the Philippine Resource Centre were informed that the employment of those who join a trade union or attempt to form one would be terminated. This threat has kept workers from asserting their right to organise. The absence of a trade union in the company has denied workers the right to collective bargaining.⁸¹ The efforts of the management to prevent the creation of a union indicates that there is no freedom of association at Fujitsu Computer Products, which constitutes a violation of ILO conventions 87, 98 and 135.

In China, there is only one state-controlled union. The All China Federation of Trade Unions (ACFTU) is the only trade union recognised in the country. It exercises a legal and heavily-protected monopoly over all subsidiary union organisations and trade union activities. It remains under the control of the Communist Party, which appoints its officials. This means that, by law, there is no possibility of truly independent unions forming in China, which compromises workers' freedom of association.⁸² Therefore, workers at the researched companies cannot assert their rights through a representative organisation.

3.8. Women's rights

About 70 to 75 percent of the workers at Fujitsu Computer Products in the Philippines are women. They have to work overnight, even though this is not allowed by national law. The Philippine labour code states: "No woman, regardless of age, shall be employed or permitted or suffered to work, with or without compensation: paragraph (a) – In any industrial undertaking or branch thereof between ten o'clock at night and six o'clock in the morning of the following day."⁸³ Exemptions can be made if the nature of the work requires "the manual skill and dexterity" of women workers and the same cannot be performed with equal efficiency by male workers.⁸⁴ It is unlikely that the work at Fujitsu Computer Products cannot be carried out with equal efficiency by male workers.

⁸¹ Philippine Resource Centre – Manila & SOMO, *Corporate Social Responsibility Behaviour of multinational corporations in the global information and communication technology supply chain in the Philippines* (Manila: April 2005), p. 37.

⁸² Fair Labour Association, *Annual Public Report*, "Freedom of Association in China", 2004 <www.fairlabor.org/2004report/freedom/china.html> (5 December 2005).

⁸³ Labour Code of the Philippines, Book Three, conditions of employment, Title III, working conditions for special groups of employees, chapter I, employment of women, art. 130, no date, <www.chanrobles.com/legal4labor2.htm#BOOK%20III> (15 November 2005).

⁸⁴ *Ibid.*, paragraph (e).

4. Summary of findings

Fujitsu Siemens Computers and its parent companies Fujitsu and Siemens have elaborate policies on Corporate Social Responsibility (CSR), especially in relation to the environment. However, this research report shows that the three companies fail to practise what they preach. Siemens, for example, expects its suppliers and other business partners to comply with international CSR standards. On its website, Siemens boldly declares: “We comply with international guidelines” and “We also align with recommendations and standards published by national and international organisations, as these represent important guiding principles for global companies like us.”⁸⁵ The company then lists the following international norms:

- The United Nations' Universal Declaration of Human Rights (1948);
- The European Convention for the Protection of Human Rights and Fundamental Freedoms (1950);
- The International Labour Organization's (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (1977);
- The ILO's Declaration on Fundamental Principles and Rights at Work (1998);
- The Organisation for Economic Co-operation and Development's (OECD) Guidelines for Multinational Enterprises (2000);
- The UN's Agenda 21 on sustainable development (the plan of action agreed upon at the Earth Summit in Rio de Janeiro in 1992).

According to this statement on the company's website, all of Siemens' business partners, including the joint venture Fujitsu Siemens Computers and all other companies in the supply chain, should abide by the abovementioned international standards. For suppliers in Asia and the Philippines, however, this is pure fantasy. The companies in the supply chain of Fujitsu Siemens Computers, Siemens and Fujitsu in China and the Philippines seem to be light-years away from following international benchmarks and do not even comply with national legislation. Fujitsu Siemens Computers, as well as its parent companies Fujitsu and Siemens, should take responsibility for the working conditions in their supply chain and endeavour to improve the harsh working conditions in supplying factories in China and the Philippines. Many of the international conventions and guidelines mentioned on Siemens' website are systematically violated at these factories.

The findings of field research projects undertaken in the Philippines and China reveal several serious problems in the supply chain of Fujitsu Siemens Computers and its parent companies. Research was carried out at one supplier in the Philippines and three suppliers in China. Serious problems were identified at all four suppliers.

Excessive working hours

Due to demands for high production levels during the peak season and flexibility, workers in companies in the supply chain of Fujitsu Siemens Computers and its parent companies often work excessively. Workers at Fujitsu Computer Products in the Philippines have to work 12 hours a day, 6 days a week. Workers are often forced to do overtime. The company fails to comply with the Philippine Labour Code, which states that the normal hours of any employee shall not exceed eight hours a day. In China, the situation is even worse. Workers at all three companies researched in China generally work more than ten hours a day in the peak season. Workers at Hua Tong complain

⁸⁵ Siemens company website, International Guidelines, “Corporate governance & business practices”, no date, <www.siemens.com/index.jsp?sdc_p=t55cz2s2u20o1235619pCORPfl1mi1235613&> (5 December 2005).

the most about long working hours. During the peak season, these workers do not have a single day off for months. The same problem occurs at Delta and G-Tech. Only in the low season do workers have one or two days off a week. The Chinese labour law requires that workers should have at least one day off per week.

Wages and compensation for overtime work

Although wages in the electronics sector are relatively high compared to other sectors, it should be stressed that the wages of most workers at the companies researched are insufficient to cover expenses related to food, let alone rent, transport, clothing and education. Both in the Philippines and China, wages are not high enough to provide an adequate standard of living. In all three factories researched in China, basic wages are below the local minimum wage. This is compensated with performance-related incentives, such as attendance and performance bonuses. Due to the low basic wages, workers also receive less overtime compensation than legally required in China.

Employment relationship and job security

Workers in the companies researched have an unstable and uncertain life. They spend day and night at the factories. As a policy, most companies employ young women under 25. At Fujitsu Computer Products of the Philippines, workers faced major reorganisations in 2002 and 2003. A little less than 3,000 workers were dismissed. At the same time, the company hired new, considerably younger workers, some even under 18. In China, workers at Delta have difficulties quitting. The management does not approve resignations in the peak season, although the labour law requires only a one-month advance notice. Many workers at the companies researched in China complain about the stringent quality control and strict work discipline on the shop floor. Workers at Delta, for example, are not allowed to talk or leave the workplace without authorisation. G-Tech requires workers to finish the daily production quota before off time, and overtime rates are deducted if they fail to meet the quota. Hua Tong adopts the most comprehensive disciplinary measures for production line workers. Workers are obliged to pay fines of at least RMB 50 (€ 5.23) up for violations of factory rules or quality requirements. In the peak season, workers are not allowed to take leave without permission. Unauthorised leave means losing the full attendance bonus and the performance bonus.

Health and safety

Workers in the electronics sector often have to work with hazardous and toxic materials and substances without proper protection or health and safety measures. Fujitsu Computer Products in the Philippines does not seem to take the health problems of its workers very seriously. The company fails to address the problem of tuberculosis in and around the company. Workers estimate that about five percent of the workforce has contracted the disease. In all three companies researched in China, occupational health and safety conditions are unsatisfactory. Assembly workers suffer from long hours of work, work-related stress, noise, bad ergonomics and exposure to chemicals. At Hua Tong in Huizhou City, workers use solvents to clean circuit boards. Although the company provides them with nylon gloves, many workers do not use these in an adequate manner due to a lack of proper training on health and safety measures. Contact with solvents causes skin allergies and eye irritation.

Freedom of association and collective bargaining

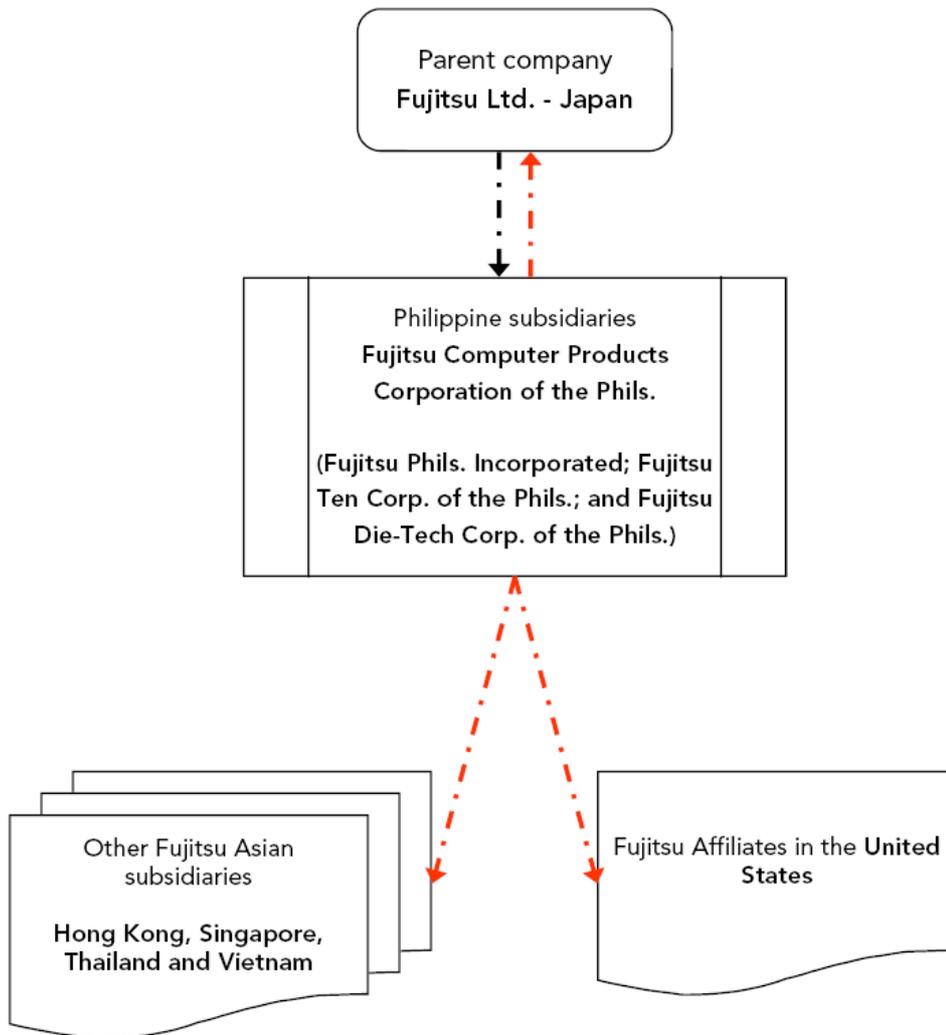
There is no union at Fujitsu Computer Products in the Philippines. Workers are strongly “recommended” not to organise or to join a union. This threat has kept workers from asserting their right to organise and through a union improve their situation. The absence of a trade union in the company has denied workers the right to collective bargaining. In China, there is only one, state-controlled union. The All China Federation of Trade Unions (ACFTU) is the only trade union recognised in the country. It exercises a legal and heavily protected monopoly over all subsidiary

union organisations and trade union activities. It remains under the control of the Communist Party, which appoints its officials. This means that by law there is no possibility of forming truly independent unions in China, which compromises workers' freedom of association. Therefore, workers at the companies researched cannot assert their rights through a representative organisation.

Other issues

Female workers at Fujitsu Computer Products in the Philippines have to work overnight, which is officially not allowed according to the Philippine Labour Code.

Annex 1: Structure of the Fujitsu supply chain in the Philippines



Legend:

- · - · ► Flow of raw materials, machinery, tools and equipment
- · - · ► Flow of ICT finished products