

Epson UK Limited

Strategic report (continued)

For the year ended 31 March 2023

Interest rate rise

Epson UK is not a leveraged company, and the group cash pool agreement supports any funding requirements. Any increase in interest rate is only a concern to the company from a general market buoyancy perspective and the impact of this on demand for company's products. The general shift interest rate paradigm has an impact on some components of Epson UK's balance sheet, specifically Epson UK's defined benefit pension liabilities. A higher interest rate and future higher interest rate expectations will increase the discount rate used to value the liabilities. Epson UK sees its pension liabilities reduced due to a higher discount rate which, in succession, makes the pension scheme a surplus subject to asset performance. Epson UK's pension assets are sufficiently diverse and do not hold corporate and government bonds as a large portion of the asset portfolio; therefore, the Epson UK pension scheme is relatively immune to the decline in asset value due to high-interest rates.

Section 172(1) statement

We welcome our responsibilities to promote the success of the company in accordance with section 172 of the 2006 Companies Act. Our Board ensures that all decisions are taken for the long term, and collectively and individually aims to always uphold the highest standard of conduct.

Stakeholder engagement

Epson UK is a wholly owned subsidiary of Epson Europe B.V. which, in turn, is wholly owned by Seiko Epson Corporation. Epson Europe is Seiko Epson's European sales headquarters. Epson UK is its UK sales company. Epson group companies are imbued with the same management philosophy and corporate principles as Seiko Epson.

Epson Management philosophy

Epson UK aspires to be an indispensable company, trusted throughout the world for our commitment to openness, customer satisfaction and sustainability. We respect individuality while promoting teamwork and are committed to delivering unique value through innovative and creative solutions.

Principle of corporate behaviour

Principle 1 – Pursuing customer satisfaction.

Principle 2 – Preserving the natural environment.

Principle 3 – Fostering diverse values and teamwork.

Principle 4 – Creating a safe, healthy, and fair work environment in which human rights are respected.

Principle 5 – Ensuring effective governance and compliance.

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Principle of corporate behaviour (continued)

Principle 6 – Ensuring security of people, assets, and information.

Principle 7 – Working with business partners for mutual benefit.

Principle 8 – Prospering with community.

Principle 9 – Initiating honest dialogue with stakeholders.

Epson’s global management philosophy and principle of corporate behaviours underpins everything we do at Epson and our stakeholders are at the heart of everything we do at Epson.

Epson aspires to be an indispensable company, trusted throughout the world for our commitment to openness, customer satisfaction and sustainability. Senior management respects individuality while promoting teamwork and are committed to delivering unique value through innovative and creative solutions. Below we identify some of the key stakeholders for Epson UK and describe our engagement with those stakeholders.

Employees

Our employees are the most valued asset for Epson. Having a highly motivated and committed workforce who are aware of Epson’s management philosophy and corporate behaviour principles is important to the continued long-term success of our business.

We have several employee engagement mechanisms designed to maximise employee participation and contribution, including:

- Employee Information and consultative group
- Annual employee survey
- Achievement Awards

In addition, senior management focus on:

- A work environment conducive to teamwork.
- Showing the clear strength of “EPSON TEAM” to our partners.
- Reviewing and improving training & development.
- Promoting DE&I (Diversity Equity and Inclusion).

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Customers

As an Epson sales company it is imperative that we maintain a satisfied direct customer base and end-user customer base. We aim to forge strong partnership with our channel customers to identify and fulfil their needs. To end-users of Epson products, Epson aspires to be an indispensable company, trusted throughout the world for our commitment to openness, end-user customer satisfaction and sustainability to deliver innovative, precision technologies featuring multiple energy-saving features.

Our management team engage with our customers, both channel and end-user, on a regular basis via site visits and teleconference. Our sales and marketing teams work with customers, at various levels to create engagement and product awareness. Epson regularly host product demo events for our current and prospective customers.

Our customers look to us to deliver innovative, quality, and reliable products. Increasingly our customers also value us achieving various environmental and emission goals. Epson is operating within a fast-phased technology industry and our customers want us to keep them updated about new products and technology trends.

On a global level as set out in the Epson management philosophy and corporate behaviours principles Epson continues to invest in innovative technologies that can deliver quality and reliable performance while reducing the environmental impact such as inkjet technology and paper lab technology. Epson Europe, which includes Epson UK's operations, maintains Platinum Eco Vadis rating in 2023. Platinum status place Epson in the top 1% of sustainability performers in the computer and peripheral equipment manufacturing industry. This allows our customers to purchase with confidence from Epson not only knowing that our heat free inkjet technology is assisting them towards their own sustainability goals, but that we adhere to the very highest labour, human rights, and social standards.

The management at Epson is dedicated to seeking out new and exciting opportunities. In our innovation pipeline, we have the groundbreaking L100 linerless printer, which stands out in the market with its unique style and unmatched functionality. Epson remains committed to presenting cutting-edge Point of Sale (POS) printing solutions for both the retail and hospitality sectors, and the response from both industries has been incredibly enthusiastic.

Moreover, these advancements align with our strong commitment to sustainability. The elimination of backing paper for adhesive labels is a significant step forward in reducing environmental impact, making our products not only innovative but also environmentally responsible.

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Suppliers

Epson UK, as an Epson sales company, purchases our resale goods from our parent company, Epson Europe BV, a company incorporated in the Netherland. On a local level Epson UK relies on various suppliers to provide services such as servicing, facility provision, utility, catering, etc. Our suppliers are an integral part of business and maintaining a mutual partnership with our suppliers is essential.

Our senior management team work very closely with our parent company to forecast the local demand and to ensure appropriate supply of goods in place to meet the demand in the UK and Ireland. For other key local suppliers, we have comprehensive contracts in place that set out the expectation from our suppliers. On a global level Epson joined the Responsible Business Alliance (RBA) in April 2019 and is fully committed to collaborating with RBA to improve working and environmental conditions through leading standards and practice. The Epson supplier code of conduct is updated based on RBA guidelines.

Our suppliers appreciate prompt payment, and unambiguous communication of service requirement standards and demand level.

We uphold our commitment to pay our suppliers in accordance with the agreed payment terms. This involves maintaining regular and close communication with our suppliers to discuss demand levels and service standards. Additionally, we implement detailed planning measures to proactively address and mitigate any potential issues that may arise during payment runs. This approach ensures a strong and reliable relationship with our suppliers, promoting trust and efficient collaboration.

Pension Trustee

Epson UK operates a defined benefit pension plan that has been closed to future accrual since 31st March 2011 and currently has a surplus, as disclosed in note 18 to the financial statements. It is crucial to maintain a trusting relationship with the pension trustees to agree upon a realistic funding plan that protects both the interests of the members of the scheme and the company.

Quarterly pension meetings with the board of trustees and the company are held to discuss and update various matters related to the pension scheme. The quarterly meetings are used as an opportunity to update the trustees about the company's financial performance and monitor current contributions made by Epson.

The trustees expect the company to maintain sound financial conditions to meet the funding obligations. Trustees also value us disclosing any significant nature of financial performance in a timely manner in order to remain confident in our ability to meet our funding obligations.

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During the Financial Year, Epson has initiated a pension buyout project aimed at transferring the closed defined benefit pension scheme to a specialist insurer in exchange for a premium. Epson is doing this to manage its long-term pension liabilities more efficiently. This strategic decision was driven the desire to reduce the volatility associated with pension obligations and to enhance the predictability of future cash flows.

Under the pension buyout program, the Company is currently consulting with 44 eligible employees who maintain pension a salary link related to their current salary in exchange for an enhancement in the defined contribution scheme or a cash alternative. If the buyout goes ahead, it will also cover deferred members of the scheme

If the scheme buyout goes ahead, the obligation to provide the benefit will be passed to the insurer once this has been appointed and Epson will settle its pension obligations at the same time. This strategic move will reduce its long-term pension risk exposure and contribute to a more streamlined and sustainable retirement benefits structure for all employees and Epson. If a transaction goes ahead with an insurer, it is expected to complete before March 2024.

We have fully engaged with the board of trustees via pension meetings and via other regular communications.

Principal Decisions

We define principal decisions as those that are both material to the company and significant to any of our stakeholders identified above.

The Board fulfil duties partly through a governance framework that delegates day-to-day decision making to the employees of the company. The Board recognises that such delegation needs to be part of a robust governance structure, which covers our values, how we engage with our stakeholders, and how the Board assures itself that the governance structure and systems of controls continue to be robust. In making principal decisions, the Board considered the outcome from its stakeholder engagement.

Financial Performance Monitoring – Senior management reviewed detailed financial performance on a regular basis. Further, the senior management also reviewed the annual business plan and quarterly forecast.

Pension contribution – During the Epson UK contributed £4 million to the plan as already agreed with the trustees in prior years. An extra £4m was also injected to reduce the deficit.

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Engagement with the parent company – As a 100% owned sales company of Epson Europe, some decisions have implications for Epson UK, such as mitigating the impact of Brexit, changes to the supply chain arrangement post-Brexit and global supply chain constrain and impact on product availability. The senior management of Epson UK, in their capacity as senior executives of Epson Europe BV, took part in those decisions.

Environment and sustainability – Here at Epson, we aspire to achieve sustainability and enrich communities through promoting decarbonisation and closed resource loop management, developing environmental technologies, and providing products and services that reduce environmental impact.

We aim to:

- Reduce the environmental impacts of products and services and in supply chains
- Achieve sustainability in circular economy and advance the frontiers of industry through creative and open innovation
- Contribute to international environmental initiatives such as the United Nations Sustainable Development Goals
- Comply with the requirements of the ISO 14001:2015 standard.

As part of our corporate social responsibility, we provide our stakeholders with transparent information on our sustainability performance. Our sustainability minded employees receive regular sustainability training and take departmental and individual actions to neutralise any potential environmental impact caused by their work.

The Senior management is responsible for ensuring that CSR, CSV and ESG obligations are met on all fronts, be it quality (ISO 9001), environmental (ISO 14001) or social. Furthermore, Epson considers this ambition to be consistent with the realization of the sustainable development goals (SDGs) of the United Nations.

Our company has a widespread presence across Europe, the Middle East and Africa. Our operations are dedicated to sales and after-sales services, focusing on Epson's efficient, compact, precision, and digital technologies. We are deeply committed to the pursuit of sustainability and community enrichment, driven by our dedication to promoting decarbonization and closed resource loop management. Furthermore, we actively engage in the development of environmental technologies and the provision of products and services designed to minimize environmental impact. Our aim is to contribute to a greener, more sustainable future while delivering value to our communities and stakeholders.

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Streamlined Energy Carbon Reporting (SECR)

This is the fourth year Epson UK has been required to report greenhouse gas emission in line with the Companies and Limited Liability Partnership Regulation 2018.

Below table shows the energy used by Epson UK for the year ended 31st March 2023. Energy consumption in scope for reporting are heating and electricity used in our office buildings and fuel used for company cars and business travel mileage.

We have used emission factors published by Department for Business, Energy and Industrial Strategy for converting the energy consumption to tonnes of carbon dioxide equivalent (TCO2e) emission.

Epson UK Ltd
Energy Consumption and associated CO2 emission

	2023/22	2022/21
	Consumption	Consumption
Total consumption of electricity (kWh)	144,886	113,824
Total consumption of natural and LPG gas (kWh)	304,283	327,089
Total consumption of petrol and diesel (litres)	59,509	55,457
	Emission	Emission
Total emission from usage of electricity (TCO2e)	0	0
Total emission from usage of natural and LPG gas (TCO2e)	70.07	75.33
Total emission form consumption of fuel (TCO2e)	133.67	136.10

Epson UK's overall Co2 emission decreased slightly by 7.69 tonnes in 2022/2023 compared to 2021/2022. The impact of return to normality after restriction is having an impact on travel. The slight increase in employee travel has impacted fuel consumption and the related Co2 emission. Although some of the increase in emissions were offset by the company's adoption of 100% renewable electricity supplies since 2020, as well as the uptake of greener cars.

As a global organisation, Epson is targeting 100 billion yen of spending at its sustainability transformation over the next decade. Internally, this investment will see decarbonisation and closes resource loop (maximise resource use). Externally, Epson innovation will reduce the environmental impact of customers and develop new products that are inherently sustainable.

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Sustainability – commitment

In 2023, Epson has committed to ensure it will, by or before:

2023 – achieved 93% renewable energy across all group companies

2025 – target reductions in direct (19%) and indirect (44%) emissions

2030 – reduce emission to align with the 1.5 degree warming target

2030 – meet the UN’s Sustainable Development Goals – adding goals 1,2 and 16 to its commitments in 2022, ensuring that all 17 UN SDGs are now in scope

2050 – become carbon negative and underground resource free (e.g. oil, metals)

Epson has also been awarded Platinum status with the Responsible Business Alliance (RBA) – the world’s largest industry coalition dedicated to corporate social responsibility in global supply chains. Epson has undergone a robust assessment and show that it is a company dedicated to meaningful sustainability and wellbeing of its employees.

The past year has also seen Epson:

- Move into the not for profit, global disclosure CDP platform’s A-list – and selected for the 3rd year as global supply chain leader.
- Join the RE100 initiative through its commitment to 100% renewable electricity.
- Gain EcoVadis Platinum rating for the third consecutive year
- Operates ISO 9001 and 14001 standards; and
- Included in FTSE4Good Index Series for the 19th consecutive year.

On behalf of the Board

Duncan Ferguson
Duncan Ferguson (Nov 2, 2023 16:15 GMT)
Director
D Campbell-Ferguson

2nd November 2023