

## Modern Slavery Act 2015

### Slavery & Human Trafficking Statement for Financial Year 2017

The Modern Slavery Act 2015 requires manufacturers and retailers doing business in the UK with a significant annual turnover to disclose information regarding their policies to eradicate slavery and human trafficking from their supply chain and within their business.

#### Our organisation

Seiko Epson Corporation and Epson Group companies are primarily engaged in developing, manufacturing, selling, and providing services for products in the printing solutions, visual communications, wearable and industrial products, and the other business.

Epson is organized into operations divisions that come under global consolidated management. The majority of advanced R&D and product development is conducted in the Japan headquarters, while manufacturing and sales activities are conducted around the world by 87 Epson Group manufacturing and sales companies, in 56 countries, with 76,361 employees.

Epson employs a vertically integrated business model, and we develop and manufacture the majority of the products we sell through our global network of sales subsidiaries.

Epson (UK) Limited is a wholly owned subsidiary of Epson Europe B.V. of Amsterdam, The Netherlands. Our ultimate parent company is Seiko Epson Corporation, headquartered in Japan.

Epson Telford manufactures and packs ink cartridges for consumer use and ink products for industrial use. These products are shipped to a Epson warehouse in Germany where they are then distributed throughout Europe, the Middle East and Africa.

We use the word Epson to describe all companies in the Epson Group.

#### Our standards

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chain or in any part of our business. We will respect fundamental human rights and facilitate a fair, safe, healthy and pleasant work environment. Epson Europe has a Corporate Social Responsibility specialist with responsibility for ensuring that we maintain the highest standards across Epson businesses in Europe, the Middle East, Africa and Russia.

Epson is serious about keeping all forms of discrimination and unfair practices out of its global operations. As stated in its [management philosophy](#), Epson aspires to be an indispensable company which is trusted throughout the world. In 2005, Seiko Epson Corporation established [the Principles of Corporate Behavior](#) (Corporate Social Responsibility Guidelines) which are adhered to by all companies ultimately owned by Seiko Epson Corporation. In 2017, we updated the Principles of Corporate Behavior in response to the latest societal requirements. These guidelines were established to clarify the foundations for implementing trust-based management, which is aimed at building stakeholder trust and is the fundamental principle of Epson management, and are shared across the Group.

Epson's stance on [Corporate Social Responsibility](#) is reflected in its participation in the United Nations Global Compact since 2004. Epson also used ISO 26000 (Guidance on social responsibility) and OECD Guidelines for Multinational Enterprises as references. In 2005 we

documented [our policies regarding Human Rights and Labour Standards](#) that outline our strong convictions in areas including respect for human rights, elimination of harassment, eradication of all forms of discrimination, respect for local culture and customs, prohibition of child and forced labour, and maintenance of positive labour relations.

Our policy requires us to hold our business partners to the same standards as Epson with regard to legal compliance, ethics, quality, the environment, human rights and labour conditions. Our suppliers are subject to audits to ensure compliance to our policy.

As the supplier of our products, Seiko Epson Corporation and Epson Europe B.V. have assured Epson (UK) Limited that they are committed to combatting slavery and human trafficking in their businesses and supply chains. We, in turn, confirm that we are committed to the same.

In addition, [Epson Group Procurement Guidelines](#) state: “The Epson Group will not engage child labour or forced labour in any form. We ask that you also uphold the human rights of your employees and treat them with dignity and respect as understood by the international community”. The Guidelines also require periodic and detailed evaluation of this and other issues.

The labour standards specified in the Guidelines include: freely chosen employment, child labour avoidance, working hours, wages & benefits, humane treatment, non-discrimination and freedom of association. The Guidelines also set out a [Code of Conduct of Suppliers](#) (Epson Supplier Code of Conduct). The Code provides that suppliers are to be committed to upholding the human rights of their employees and that they treat them with dignity and respect as understood by the international community.

Epson referred to the [Electronic Industry Citizenship Coalition \(EICC\) Code of Conduct](#) while creating the Code, in April 2005. The company requires that suppliers follow this Code, and revises it on a regular basis. (EICC became the [Responsible Business Alliance \[RBA\]](#) in 2017.)

The Guidelines require that suppliers’ management systems contain certain elements including processes (i) to identify the environmental, health and safety, and labour practice risks associated with suppliers’ operations and (ii) for communicating Code requirements to suppliers and for monitoring supplier compliance to the Code.

### **Assessing and managing risk**

In 2017 Epson created "[Key CSR Themes](#)," a materiality matrix that identifies important initiatives for addressing social issues including “[Respect for human rights](#)” and “[Supply chain management](#)”. Epson examined the relationship between its initiatives and the 169 targets of the 17 SDGs to [identify the SDGs that intersect with Epson's initiatives](#).

To help ensure that our activities are effective, we specified [action items and targets \(KPI\)](#) for each key CSR theme. We will periodically revise the key CSR themes and action items based on feedback from stakeholders and will systematically drive continuous improvements.

Since FY2016, we have held conferences to brief our suppliers about Epson's socially responsible procurement programs. In FY2017, we held a total of eleven briefings in Japan, China, and Indonesia. Briefings were attended by 613 people from 453 suppliers. We shared the following information:

#### **1. Epson's CSR activities**

2. Practicing CSR in the supply chain
  - Detailed evaluation
  - Improving accuracy of conflict mineral surveys
  - Supplier BCP initiatives
  - Establishment of compliance hotlines
3. Product substance control

In FY2017, we conducted the following activities for key suppliers:

1. Six of the 66 indirect materials suppliers (logistics, construction, and staffing companies, etc.) that were surveyed with the Self-Assessment Questionnaire (SAQ) were deemed to be high-risk based on the survey results. In FY2018, we will share our assessment and issues with the 66 suppliers and drive improvements.

2. Twenty-three of the 274 direct materials suppliers surveyed in FY2016 were judged to be high-risk. Epson (or, in some cases, a third party auditor) verified the situation at the sites of these high-risk suppliers (on-site verification), shared issues, and drove improvements to minimize risks. In FY2018, we will use SAQ to reconfirm the results of the improvements.

For key high-risk suppliers, we conducted an on-site verification and shared issues with them to help them drive improvements based on a corrective action plan. The goal is to improve their risk ranking to the middle risk level or better by FY2020.

In FY2017, an independent firm was hired to audit one supplier in Japan and one in Indonesia. We revisited the Japanese supplier after the audit to explain the content of the audit report and discuss an improvement plan. The supplier will implement improvements based on the plan while receiving support from Epson.

In FY2016, two Chinese suppliers were independently audited. We conducted a follow-up audit in FY2017 upon completion of the planned improvements and confirmed that all improvements were completed. Both companies were asked to continue efforts to ensure socially responsible procurement.

### **Due diligence processes for slavery and human trafficking**

Under Epson's socially responsible procurement program, suppliers are asked at supplier briefings to practice socially responsible procurement and complete an SAQ (Self-Assessment Questionnaire) to assess their own observance of the Epson Supplier Code of Conduct. Answers are verified on-site and audits are performed to share issues and drive improvement. In addition to conducting periodic evaluations of all new and current suppliers, we apply a more detailed socially responsible procurement program to key suppliers, which we define as large suppliers, mission-critical parts suppliers, and sole-source suppliers.

As part of our initiatives to identify and mitigate risk we audit suppliers to ensure they are compliant with the SEC policies. We have in place systems to:

- Identify and assess potential risk areas in our supply chains.
- Mitigate the risk of slavery and human trafficking in our supply chains.
- Monitor potential risk areas in our supply chains.
- Protect whistle-blowers.

## Performance indicators

Epson sets and acts upon medium-range targets, major action items, and key performance indicators (KPIs) for achieving its supply chain CSR vision.

Medium-range targets (achieve by 2020)

- Socially responsible procurement: Key suppliers earn a medium risk ranking or better.
- Conflict minerals: Procure minerals only from smelters certified by the RMI's Conflict-Free Smelter (CFS) Program.

FY2018 Major Action Items and KPIs
1. Understand the Epson Supplier Code of Conduct (based on RBA) and get 100% compliance
2. 100% implementation of SAQ to determine compliance status
3. Complete improvements on all issues identified from SAQs and on-site audits
4. 100% implementation of conflict minerals survey

## Training

During on-site verification, we conduct worker interviews in addition to document reviews and site tours to better ascertain labour and human rights risks at supplier plants.

We invited outside instructors to conduct worker interview training for Epson employees responsible for on-site verification. This training was aimed at developing their ability to identify worker concerns and dissatisfaction within a limited amount of time. The training curriculum includes instructor lectures as well as role playing, in which the trainees learn interview techniques, procedures, and points of caution. Epson requires this training for employees who implement on-site verification to help ensure accuracy.

Epson believes that it is vital for suppliers to understand international CSR trends, the Epson Supplier Code of Conduct (RBA compliant), SAQ, and other initiatives in order to ensure socially responsible procurement. We thus have external instructors provide them with socially responsible procurement training. In FY2017, we trained procurement department staff at our Indonesian affiliate on topics including CSR issues, the RBA framework, and the SAQ.

## Further steps

We will continue to review the effectiveness of the steps we have taken to ensure that there is no slavery or human trafficking in our supply chains. To further improve our policies and procedures we will refer directly to the Modern Slavery Act 2015 to ensure complete compliance.

**This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes the slavery and human trafficking statement of Epson (UK) Limited for the financial year ending 31 March 2018.**

**Kevin Browne Managing Director – Epson Telford Limited  
31 October 2018**