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Message from our Managing Director

The Fuji Xerox Australia vision is to responsibly supply a range of innovative products and services that help organisations to share information in a commercially and environmentally efficient manner, so that they can create sustainable value for their businesses.

Sustainability in its broadest sense underpins our business. We aim to run our organisation based on a set of principles that guide continuous improvement across economic, environmental and social criteria. Our responsibility to internal and external stakeholders spans these three pillars of sustainability. Whether they are employees, customers, business partners or the broader community, our stakeholders expect us to act as a good corporate citizen by finding the right balance between economic, environmental and social considerations. This Report communicates our ongoing commitment and endeavours to improve the sustainability performance of the organisation. We have had some success applying sustainability inside and outside the business but see further opportunities to embed sustainability in our organisation and influence improved sustainability outcomes with external stakeholders.

This is our third Sustainability Report and our second that has been independently assured. Our ongoing business focus on customers, quality, environmental performance and business longevity means that we have been implicitly addressing some key principles of corporate sustainability for some time. However, the rigours of the reporting process and the rapid ascendency of environmental sustainability on our customers’ agendas has led our executive team to more explicitly align our business strategy with sustainability. Environmental sustainability is already well-embedded in our business thanks to a long-standing commitment to environmentally responsible product design, an extended producer responsibility program that is second to none and ISO-certified environmental site management. However, we are still working on formally integrating sustainability more broadly into our governance and planning frameworks.

This year we have structured our Sustainability Report around our management of seven areas of accountability. We manage and measure our performance across these aspects and we are in the process of defining strategic priorities on which to focus our efforts.

1) Profitability and longevity of the business through continuous improvement
2) Ensuring good governance and business compliance
3) Building lasting relationships with satisfied customers
4) Providing a responsible solution that meets environment and safety requirements
5) Engaging our employees in the business, as well as in environmental and community activities
6) Influencing sustainability outcomes through industry, government, supplier and business partner channels
7) Minimising our environmental impact and improving our carbon management
Sustainability in its broadest sense underpins our business. We aim to run our organisation based on a set of principles that guide continuous improvement across economic, environmental and social criteria. Our responsibility to internal and external stakeholders spans these three pillars of sustainability. Whether they are employees, customers, business partners or the broader community, our stakeholders expect us to act as a good corporate citizen by finding the right balance between economic, environmental and social considerations.

ANDY LAMBERT,
Managing Director, Fuji Xerox Australia
Message from our Managing Director

Financially, we have continued to perform well. Our revenues increased 9% and we marginally increased our return on total assets to 10%, making 2006/2007 the fifth consecutive year of improved business results. We have maintained our lead in all market segments. The penetration of colour has continued to drive our success in the multi-function device market, however the erosion of colour profitability going forward as increasing competition impacts the market presents a challenge to the business. Maintaining market leadership is a priority.

We see opportunities to differentiate Fuji Xerox Australia in an increasingly commoditised market through our specialised document management services, our leading environmental performance, and through ongoing innovation addressing future market drivers. Our Global Services business continued to grow this year; we expanded our capacity in document management services with the recent acquisition of KAZ BPO, a leader in the provision of outsourced business services. Although outside our reporting period, we are also pleased to unveil a new corporate brand and strategic marketing approach that speaks to our key strengths – Leadership, Innovation and Sustainability.

Customer satisfaction levels have remained high; however, that has not reduced the rigour with which we respond to occasional issues raised through our Customer Satisfaction Assurance System. We continue to evolve our approach to customer relationships from a product driven to a value creation model, recognising that the success of our customers’ businesses underpins our own.

Like many companies facing changing demographics, our greatest challenge is to recruit and retain the right people to achieve our business goals. This has led us to focus on engaging our people in the business. Work is underway to further enable a values-based corporate culture made up of committed individuals and supportive organisational systems. Our matched donation and volunteer programs with United Way and the Australian Business Community Network provide our employees with rewarding opportunities to help local communities in which we operate. We aim to improve staff awareness about our approach to sustainability through improved internal communications and increase staff participation in the achievement of environmental targets.

The period under review has witnessed a remarkable turning point in community attitude to climate change that is influencing both government and corporate agendas. An increased focus on carbon management has led us to consider how we can contribute to our customers’ carbon reduction goals. Whether through optimising a document intensive business process, providing energy efficient equipment, or through the more deeply embedded carbon benefits from remanufacturing and end of life recycling, Fuji Xerox Australia is well positioned to address these developments.

Our own environmental management has focused on carbon emissions, waste to landfill and paper usage in the business. We have also implemented the first steps in our 2006 commitment to use 100% Green Power by 2010. However, we are still honing our internal infrastructures, procedures and systems to further improve environmental management. The organisation as a whole supports the achievement of environmental targets; however, divisional accountability could be better. Our greatest environmental achievement continues to be the performance and expansion of our extended producer responsibility initiatives and our state-of-the-art remanufacturing and recycling facility in Zetland. In terms of the broad business community, we continued to use our influence in our industry and with the government to advance the adoption of extended producer responsibility in our sector.

In closing, I would like to note the recent appointment of our board director and executive advisor Toshio Arima to the board of the UN Global Compact. Clearly an honour, this call to serve a broader global constituency is a discrete but profound acknowledgement of Fuji Xerox achievements in the development of a Regional Integrated Resource Recycling System and in the promotion of ethical sourcing.

As in prior years, we invite your critical feedback on our Report. We seek to be transparent and strive to address stakeholders’ concerns. Please approach us if we have not articulated an adequate response.

ANDY LAMBERT
Managing Director, Fuji Xerox Australia
Description of key impacts, risks and opportunities

Responsibility and responsiveness to stakeholders is a theme that runs throughout our approach to sustainability and informs how we address our key sustainability impacts, risks and opportunities. We aim to improve how we reflect on the implications of these challenges on our financial performance and long-term prospects, which will in turn help us to prioritise and assign resources.

FIGURE 1 Fuji Xerox stakeholders
Description of key impacts, risks and opportunities

Business profitability and longevity

The financial profitability and longevity of our business concerns not only our parent company as our primary shareholder, but also our employees and our customers. We are in our fifth consecutive year of improved financial performance and business growth. We realise that maintaining our market leadership position in a competitive sector requires continuous improvement in all aspects of the business, and this is evident in the management approach of every division. Aligning organisational development with the achievement of business objectives will help us achieve our goals.

Corporate governance and compliance

Corporate governance, business compliance and ethical behaviour are expected of us from multiple stakeholder groups. While these aspects of the business are currently well-managed, there is opportunity to improve risk management and foster more long-term thinking. A short to medium-term focus on achieving targets set by our parent company has influenced how we plan; however, we are taking steps to remedy that. This effort could be aligned with plans to extend stakeholder analyses and create formal materiality processes, which would also help us to identify and prioritise our sustainability challenges and opportunities.

Satisfying customers

Customers are our primary stakeholder group. We strive to ensure that our solutions exceed their expectations – this includes addressing their businesses’ environmental sustainability objectives. Our equipment features environmentally responsible design and energy efficiency enhancements. We are also leaders in extended producer responsibility. Document software and digital technologies reduce paper wastage, and our managed document services enable clients to improve the efficiency of document intensive business processes, and to optimise their equipment utilisation to save costs and cut carbon emissions. There is a clear opportunity for us to leverage those benefits with our customers and help them create more sustainable value in their businesses. We also strive to ensure that our Customer Service and Logistics operations are managed with resource efficiency in mind, and see further opportunities to improve our environmental performance in those areas.

Providing a responsible solution

Design for the environment has underpinned Fuji Xerox product development for some time, reflected in our eight consecutive annual awards for energy efficiency and our UN Global 500 roll of honour award for environmental leadership in 2000. Safety is also an important aspect of our responsibility to customers for which we have rigorous policies, systems and procedures. Recent developments in the press demonstrate the importance of our parent company’s sustained focus on product safety and quality. As this report was being finalised, a Queensland University of Technology study regarding fine particle emissions from laser printing devices and their implied potential to damage health was published. The research covered a limited range of products, of which none were ours. An article detailing research findings is available in the Journal of the American Chemical Society. We are responding to customer concerns on this topic as a priority – Fuji Xerox and Xerox Corporation have conducted exhaustive testing over the years on the safety of emission levels and concluded that there are no adverse health issues, and that all emissions from our devices are within relevant local and international standards.

Engaging employees

We take our role as an employer seriously, and appreciate our business achievements are directly linked to the performance and engagement of our people. To that end, we have appointed an Organisation Development Manager, and we are reviewing our performance management system and enhancing our senior management development program. Staff attrition provides an opportunity to bring in new people, but also presents challenges in loss of knowledge and skills. Providing viable career options and a flexible, diverse workplace will help us to ensure that we have the best people in each role. While staff environment awards and environmental communications are in place, further effort is required to engage employees in sustainability and empower them to address it in their roles.

Influencing sustainability outcomes

Historically we have relied on our parent company to ensure the sustainability integrity of our international supply chain – equipment, parts and paper. Equipment and parts are manufactured by Fuji Xerox and Xerox Corporation, both UN Global Compact signatories and committed to high levels of transparency on their business practices. Our paper is manufactured by various suppliers, which had previously been centrally approved by our parent company against a group-wide sustainable paper sourcing policy. During the year under review we took local control of our paper sourcing policy to enhance policy content, gain clarity on the process and ultimately improve accountability and compliance. We have recently gained Forest Stewardship Council Chain of Custody Certification and this will further enhance our ability to provide sustainably sourced paper. We also plan to review our other significant procurement activities and implement policies to improve sustainable supply chain management.

Our community of stakeholders also encompasses business partners such as dealers who sell on our behalf – we are taking first steps to engage that group more closely with us on sustainability. We remain active across our industry and with government groups, using our influence to promote sustainability outcomes across our sector, especially in the area of extended producer responsibility.

Minimising environmental impact

Commitment to continuous improvement is a fundamental tenet of our Environmental Management System. To that end, we have enhanced some of our targets and begun to measure performance in new areas. We have also identified an opportunity to clarify our position on carbon and improve carbon management. The environment team still faces some challenges, especially in gathering complete and accurate environmental data. Also, divisional accountability could be improved and this is something we plan to address in 2007/2008 by cascading environmental goals, objectives and targets through the performance management system.
Summary performance and opportunities for improvement

Our performance table (Table 1) is a work in progress; it reflects that we are on a progressive journey to embed sustainability management, measurement and reporting across the organisation. We will undertake work to develop targets and key performance indicators for each of our areas of accountability.

<table>
<thead>
<tr>
<th>AREAS OF ACCOUNTABILITY</th>
<th>KEY INDICATORS</th>
<th>PERFORMANCE</th>
<th>OPPORTUNITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business profitability &amp; longevity</td>
<td>Revenue</td>
<td>🚀</td>
<td>Maintain market leadership; renew focus on continuous improvement; conduct further long term planning to identify future market strategies.</td>
</tr>
<tr>
<td></td>
<td>Profitability</td>
<td>🚀</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Market share</td>
<td>🚀</td>
<td></td>
</tr>
<tr>
<td>Corporate governance &amp; compliance</td>
<td>Business compliance training</td>
<td>🚀</td>
<td>Integrate sustainability more explicitly into governance, planning and performance management frameworks; improve risk management and align with stakeholder analyses and materiality processes.</td>
</tr>
<tr>
<td></td>
<td>Compliance with business ethics policy</td>
<td>🚀</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Whistle blower disclosures</td>
<td>🚀</td>
<td></td>
</tr>
<tr>
<td>Satisfying customers</td>
<td>Customer survey results</td>
<td>🚀</td>
<td>Improve measurement of customer satisfaction and take a systemic approach to resolution of customer issues; address environmental performance of Customer Service and Logistics operations; leverage our capacity to improve customer environmental performance.</td>
</tr>
<tr>
<td></td>
<td>Equipment reliability</td>
<td>🚀</td>
<td></td>
</tr>
<tr>
<td>Providing a responsible solution</td>
<td>Energy efficiency of equipment</td>
<td>🚀</td>
<td>Improve measurement of equipment and parts return; maintain pressure on paper suppliers to disclose compliance with our policy.</td>
</tr>
<tr>
<td></td>
<td>% Resource recovery</td>
<td>🚀</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% Environmentally responsible equipment sold</td>
<td>🚀</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Product safety incidents</td>
<td>🚀</td>
<td></td>
</tr>
<tr>
<td>Engaging employees</td>
<td>Attrition</td>
<td>🚀</td>
<td>Develop organisational capabilities in line with business objectives; engage employees in the business and sustainability more broadly; improve OH&amp;S systems.</td>
</tr>
<tr>
<td></td>
<td>Learning and development</td>
<td>🚀</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Volunteering opportunities</td>
<td>🚀</td>
<td></td>
</tr>
<tr>
<td>Influencing sustainability outcomes</td>
<td>Industry/Government</td>
<td>🚀</td>
<td>Continue efforts to develop a comprehensive sustainable supply chain program; engage dealers in sustainability.</td>
</tr>
<tr>
<td></td>
<td>Engaging dealers</td>
<td>🚬</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Screening suppliers</td>
<td>🚀</td>
<td></td>
</tr>
<tr>
<td>Minimising environmental impact</td>
<td>Extended producer Responsibility</td>
<td>🚀</td>
<td>Improve internal procedures, data collection and divisional accountability; develop and communicate carbon position more clearly; improve waste measurement; develop water targets and reduction programs.</td>
</tr>
<tr>
<td></td>
<td>Resource efficiency – energy/water/waste/paper</td>
<td>🚀</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Carbon management</td>
<td>🚀</td>
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</tr>
</tbody>
</table>
Report scope and approach
This is our third Sustainability Report, intended to give our stakeholders an insight into our response to the challenges of sustainability.

We have strived for continuous improvement with each Report. Our first experience with report assurance in 2006 provided a valuable learning exercise. The reporting process has helped us to reflect on how sustainability creates value for the organisation and its stakeholders. The preparation for the 2007 Report involved an internal cross-division survey and workshop to map our stakeholders, and explore the material sustainability issues facing the organisation. We found that previous reports had not adequately addressed all stakeholder groups, and that there were additional sustainability challenges beyond what had been identified in the 2006 materiality register and our regular customer and employee surveys. We will continue to develop our early efforts at stakeholder analyses and materiality processes. As our approach to stakeholder engagement develops, we expect to better understand and disclose the issues that were raised. We also aim to improve how we communicate our approach to sustainability management and performance. This will involve implementing an internal sustainability communications plan and clarifying our priorities and performance against targets.

Enhancements to the report this year include:
1. Report restructure reflecting our seven areas of accountability;
2. Increased focus on materiality as a basis for what we report;
3. Increased alignment with Global Reporting Initiative guidelines;
4. Increased communication of priorities, commitments and performance data;
5. Alignment of our financial disclosures with our published accounts;
6. Greater disclosure on governance;
7. Focus on how we help customers improve environmental performance;
8. New sections on customer support, innovation and business partners;
9. Production of a concise report;
10. Enhancements to sustainability reporting online.

Reporting as a learning process
We have strived for continuous improvement with each Report. Our first experience with report assurance in 2006 provided a valuable learning exercise. The reporting process has helped us to reflect on how sustainability creates value for the organisation and its stakeholders. The preparation for the 2007 Report involved an internal cross-division survey and workshop to map our stakeholders, and explore the material sustainability issues facing the organisation. We found that previous reports had not adequately addressed all stakeholder groups, and that there were additional sustainability challenges beyond what had been identified in the 2006 materiality register and our regular customer and employee surveys. We will continue to develop our early efforts at stakeholder analyses and materiality processes. As our approach to stakeholder engagement develops, we expect to better understand and disclose the issues that were raised. We also aim to improve how we communicate our approach to sustainability management and performance. This will involve implementing an internal sustainability communications plan and clarifying our priorities and performance against targets.

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5. Alignment of our financial disclosures with our published accounts;
6. Greater disclosure on governance;
7. Focus on how we help customers improve environmental performance;
8. New sections on customer support, innovation and business partners;
9. Production of a concise report;
10. Enhancements to sustainability reporting online.
The 2007 Sustainability Report complies with GRI level B+ requirements and has been independently assured by Banarra Sustainability Assurance and Advice.

**Reporting cycle**

Our 2006 Sustainability Report was issued in December of that year, nine months after our financial year closed. We have acknowledged its lateness and we have committed to a more timely reporting cycle. This 2007 Report was issued in September, six months after year-end. Information provided in this Report covers the financial year ending 31st of March 2007.

We are planning to issue the 2008 Report in June of that year, which will establish a regular cycle of reporting three months after our financial year has closed.

**Report boundary**

This report covers Fuji Xerox Australia Pty Limited and its sister company Fuji Xerox Finance Limited. It does not include Fuji Xerox Printers, although their operations are outlined in an appendix at the back of this report. The Report does not include the operations of KAZ BPO, a recent acquisition.

Fuji Xerox Australia operates a regional product distribution hub on behalf of its parent company. Whilst this hub operation includes staff employed by both our parent and us, they are effectively controlled by Fuji Xerox Australia, accommodated in our premises and contribute to our business results. Therefore, the hub operations are considered within the boundary of this report.

**Engaging staff**

Every year, we involve our employees in the design of our Report by running a photo competition, which also encourages reflection on sustainability. Not only has the response been fantastic, but also our management team has shown a great interest and enthusiasm in reviewing the submissions. This year’s front cover displays the work of Netra Chetty and her reflections on the broad concept of sustainability. More staff photos are featured throughout the Report.

The 2007 Report preparation process involved greater levels of staff participation in the development of the Report’s contents, facilitated by the production of a report manual. However, there are opportunities for us to hone existing internal management, measurement and reporting procedures.

**Report availability and feedback**

Our Sustainability Report is produced annually and made available on our external website. A concise Report is also available online and printed copies can be provided on request. We invite our readers to share comments, suggestions and thoughts on this Report and on our activities in general by emailing environment@aus.fujixerox.com.au

Our Sustainability team would like to thank all the people too many to name, who participated in the production of this Report, the contributors, the photographers, the designers, the editors and all of those who supported this project and provided feedback on last year’s Report. The release of this Report would not have been possible without your assistance and input.

While the scope of this report is restricted to our operations in Australia, we acknowledge our impacts extend through an international supply chain including the manufacture of our equipment in China, the remanufacturing and recycling of our equipment in Thailand and the international logistics associated with our product transport. Our parent company, Fuji Xerox Company Limited, produces a broader Sustainability Report that incorporates the sustainability performance of other group companies responsible for manufacturing and end of life product resource recovery. Their report can be downloaded at: www.fujixerox.com.au/sustainabilityreport
Corporate profile

Fuji Xerox Australia supplies responsible solutions that help maximise the utilisation and distribution of knowledge. Our innovative hardware, software and services enable organisations, ranging from large multinational corporations and government through to small businesses, to capture and share information in a commercially and environmentally efficient manner.

Mission

To be the unrivalled leader in providing print-based and electronic document services and solutions to government and business communities – services first.

Products and services

Knowledge is key to any organisation’s success and the Fuji Xerox range of innovative solutions and services is critical to the knowledge sharing process. We provide the document industry’s broadest portfolio of document systems and services, ranging from multi-function devices, high speed colour presses, digital imaging and archiving services through to managed services and business process outsourcing expertise and implementation.

Fuji Xerox also offers one of the widest ranges of office supplies including papers, toners, ink, print/copy cartridges and printing materials. Our high customer satisfaction ratings underpin our reputation as an industry leader in the provision of customer service and technical support. We are driven to create sustainable value for our customers and that is reflected in our commitment to environmental responsibility and to continuous improvement across all aspects of the business.

Values

A cross-division project is underway to reflect on our values and how they are embodied by our business (Table 2).

Contact

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Head Office
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Macquarie Park NSW 2113
Phone: 02 9856 5000
Fax: 02 9856 5003
Website: www.fujixerox.com.au

TABLE 2 Our corporate values

<table>
<thead>
<tr>
<th>TEAMWORK</th>
<th>Achieving success through teamwork</th>
</tr>
</thead>
<tbody>
<tr>
<td>ETHICS &amp; INTEGRITY</td>
<td>We maintain the highest level of business ethics</td>
</tr>
<tr>
<td>CUSTOMER FIRST</td>
<td>We succeed by satisfying our customers</td>
</tr>
<tr>
<td>ENVIRONMENTAL RESPONSIBILITY</td>
<td>We are committed to environmentally safe practices</td>
</tr>
<tr>
<td>CORPORATE CITIZENSHIP</td>
<td>We behave responsibly as a corporate citizen</td>
</tr>
<tr>
<td>CELEBRATING SUCCESS</td>
<td>We celebrate our successes</td>
</tr>
<tr>
<td>CONTINUOUS IMPROVEMENT</td>
<td>We continuously improve the way we work</td>
</tr>
</tbody>
</table>
Corporate profile

Fuji Xerox Australia supplies responsible solutions that help maximise the utilisation and distribution of knowledge. Our innovative hardware, software and services enable organisations, ranging from large multinational corporations and government through to small businesses, to capture and share information in a commercially and environmentally efficient manner.
**Organisation**

**INTEGRATED SALES & MARKETING DIVISION**
Markets and sells a complete range of office copier, printer, multi-function devices, production presses and software solutions to government and commercial customers throughout Australia. Non-metropolitan areas are serviced through a network of over 30 Fuji Xerox authorised dealers.

**CUSTOMER SERVICE ORGANISATION**
Software and hardware support services for customers.

**SUPPLY CHAIN OPERATIONS**
Warehousing and logistics support across Australia.

**HEAD OFFICE**
The Human Resources, Finance and Corporate Affairs (incorporating Legal and Sustainability) Divisions perform services that support the other divisions of the business. A General Manager heads each division and reports to our Managing Director.

**FUJI XEROX GLOBAL SERVICES**
Provides managed document services, offering a wide range of services, products and solutions. Offerings include consulting, imaging, content management, creative and managed services.

**DOCUMENT SUPPLIES DIVISION**
Markets a range of paper, supplies and consumables for use in both Fuji Xerox and competitor equipment, as well as a complementary range of office and print finishing room equipment.

**ECO MANUFACTURING DIVISION**
Remanufactures spare parts and consumables used in the repair and support of Fuji Xerox equipment.

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**FIGURE 2 Payments to employees**

<table>
<thead>
<tr>
<th></th>
<th>2004-05</th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; wages</td>
<td>75.086</td>
<td>81.788</td>
<td>86.102</td>
</tr>
<tr>
<td>Bonuses &amp; commissions</td>
<td>21.919</td>
<td>26.159</td>
<td>29.913</td>
</tr>
<tr>
<td>Annual leave</td>
<td>7.533</td>
<td>8.121</td>
<td>8.749</td>
</tr>
<tr>
<td>Long service leave</td>
<td>2.226</td>
<td>1.920</td>
<td>1.757</td>
</tr>
<tr>
<td>Superannuation</td>
<td>5.691</td>
<td>6.387</td>
<td>6.747</td>
</tr>
<tr>
<td>Payments to employees</td>
<td>112.456</td>
<td>124.373</td>
<td>133.269</td>
</tr>
<tr>
<td>Including ATP &amp; ANZ hub</td>
<td>118.081</td>
<td>130.658</td>
<td>140.463</td>
</tr>
</tbody>
</table>
Business performance

The year to 31st March 2007 was another excellent one for the Fuji Xerox Group in Australia, with all operating divisions contributing to an overall revenue growth of 9%. Costs incurred by the business increased by only 8.8% to $170M providing a small increase in overall profitability, with profit after tax measured as a return on total assets of the group increasing to just over 10%, compared to 9.4% the previous year. The group continued to increase its total asset position to $711M reflecting growth in receivables funded by the group, along with further investments in technology.

Figures 2 and 3 provide a summary of actual payments made to employees and government during the year. This year, we have aligned our financial disclosures with the accounts we publicly file resulting in the previous year’s figures being restated. In previous years, we reported on an enterprise basis, incorporating payments made by the company to employees of our Regional Support Centre and ANZ Hub. These payments are charged to our immediate parent company for accounting purposes. Shareholders were not paid any dividends during the year in respect of their $264M investment in the group.

Total revenues of $689M reflect strong performance in all areas of the business. We maintained our leadership position in the industry, across both colour and digital black and white market segments. However, we are under no illusion about the challenges inherent in the competitive business equipment industry.

Revenue from office equipment grew 8.7%. Our ApeosPort and DocuCentre products ensure we can provide our customers the full array of multi-function devices ranging from entry level functionality, to sophisticated network workflow solutions with speeds varying from fifteen pages per minute to in excess of one hundred.

Installations of high-end production equipment into the Graphic Arts and Publishing markets grew by 139 units, increasing the number of machines in the field (MIF) by 17%. This increase was largely due to the success of the highly reliable Fujhin product. Sales of production colour equipment also achieved good growth, resulting in a 21% increase in MIF underpinned by the strong performance of the DocuColour and iGen3 ranges.

Annuity revenues grew by 9%. This revenue stream is derived from our Support Services Agreements, and ensures that we can continue to provide the very best level of service to our customers. There were 11.7 billion copies/prints performed on our equipment, with colour prints showing the strongest growth. Reflecting a similar pattern, revenues of our Document Supplies Division continued to grow, achieving an increase in revenues of 6%, which was an excellent result considering the falling market price of paper products. The percentage of documents supplies business transacted through its dedicated website reached a new high of 57%. Global Services also experienced high rates of growth – services based revenue increased by 30%.

![Figure 3 Payments to government](chart)

<table>
<thead>
<tr>
<th>Year</th>
<th>Payroll tax</th>
<th>Group tax</th>
<th>Income tax</th>
<th>Stamp duty</th>
<th>Net GST</th>
<th>Council rates</th>
<th>Total payments to government</th>
<th>Including ATP &amp; ANZ Hub</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>6,863</td>
<td>29,451</td>
<td>1,645</td>
<td>1,344</td>
<td>40,097</td>
<td>0.537</td>
<td>79,938</td>
<td>81,468</td>
</tr>
<tr>
<td>2005-06</td>
<td>7,304</td>
<td>31,664</td>
<td>14,471</td>
<td>1,395</td>
<td>46,460</td>
<td>0.542</td>
<td>101,838</td>
<td>103,551</td>
</tr>
<tr>
<td>2006-07</td>
<td>7,792</td>
<td>32,538</td>
<td>26,656</td>
<td>1,283</td>
<td>48,695</td>
<td>0.533</td>
<td>117,498</td>
<td>119,763</td>
</tr>
</tbody>
</table>
Fuji Xerox Australia parentage

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Location</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuji Xerox Photograph Company Limited</td>
<td>Japan</td>
<td>Owns 75% of Fuji Xerox Company Limited</td>
</tr>
<tr>
<td>Fuji Xerox Company Limited</td>
<td>USA</td>
<td>Owns 25% of Fuji Xerox Company Limited</td>
</tr>
<tr>
<td>Fuji Xerox Asia Pacific PTE Limited</td>
<td>Singapore</td>
<td>Japan based</td>
</tr>
<tr>
<td>Fuji Xerox Finance Limited</td>
<td>Fuji Xerox Group in Australia</td>
<td>Fuji Xerox Australia Pty Limited</td>
</tr>
<tr>
<td>Fuji Xerox Sales Pty Limited</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Governance

Fuji Xerox Australia receives operational direction from the Fuji Xerox International Business Group (IBG) based in Shanghai. Operational direction for the business is agreed within an annual operating plan that is developed with IBG guidelines and agreed prior to the commencement of our financial year.

A set of locally established operating policies and procedures and an authority matrix are agreed between IBG and local management, and inform how the annual operating plan is implemented locally. The role of the local board of directors of the company, like many subsidiaries of international companies, is largely confined to execution authority. Operational control is affected by the members of the executive board, which is made up of the General Managers of the business divisions.

Operating plan objectives are shared throughout our company via a policy and target deployment process known as the MFS (Managing for Success) system. The key operating plan targets become the Managing Director’s annual objectives, and they are cascaded through the organisation via the MFS system. This is the framework for the implementation of the operating plan, and one of the primary means for sharing the company’s vision, values and sustainability objectives. The same system is used to measure individual achievement over time.

Risks impinging on the business are considered within the operating plan development and negotiation process, and in the various divisions operational review meetings. A more formal approach to risk management has been proposed and initial steps are currently being implemented.
Day to day management of the company is achieved through monthly executive board meetings (EBM) and other ongoing operational meetings. The meeting framework through which the business is governed is outlined in Figure 4.

With regards to environmental sustainability, the company receives regional direction from the Corporate Social Responsibility (CSR) division of Fuji Xerox Co Ltd on a small number of specific issues. This direction is delivered through an environment mid-range plan that focuses on climate change, conservation of natural resources and reduction of environmental risk. Fuji Xerox Australia agrees carbon and waste reduction targets with the CSR division each year, and we report on our environmental performance overall at biannual meetings attended by every operating company’s Environment Manager. Our commitment to environmental sustainability extends beyond that which is required by our parent company from a compliance perspective. Nonetheless, the CSR division is an important source of information and guidance on environmental matters controlled by our parent company, such as our UN Global Compact obligations and the overall carbon footprint of Fuji Xerox operations across the region.

Fuji Xerox Australia manages its own environmental sustainability performance through the corporate affairs division, which includes a national Environment and Sustainability Manager, a national EMS manager and a network of regional environment co-ordinators. The company is at the early stages of embedding national EMS manager and a network of regional environment co-ordinators. The company is at the early stages of embedding sustainability into the governance and management structures of the business. We have begun to proactively seek employee feedback on sustainability management and reporting, and we plan to formalise internal and external stakeholder engagement mechanisms on sustainability issues. As this Report was being finalised, a sustainability strategy workshop involving the executive board took place, where emerging sustainability challenges and opportunities were reviewed and steps were agreed to integrate sustainability priorities more explicitly into business planning. Ultimately, these priorities will be embedded in senior management objectives.

**Legal compliance and ethics**

Our commitment to two core values – ethics and integrity and corporate citizenship – informs our policies in this area. Our ethics policy, our general legal compliance policy and our Trade Practices Act compliance policy support adherence to these values. We are committed to exemplary compliance and strive to run our business by the principles inherent in the ‘golden rule’. Our goal is that there should be no transgression of these principles.

Managers in the business are expected to maintain a working knowledge of the law relevant to their area of responsibility. The group legal counsel maintains a watching brief and alerts appropriate senior management to likely business impacts from developments in the law. The principal areas of compliance impacting the business are income tax and corporations law, the law relating to trade practices, occupational health and safety and environmental law, each managed by specialists in the business.

**FIGURE. 4 Fuji Xerox meeting framework**

<table>
<thead>
<tr>
<th>FUJI XEROX INTERNATIONAL BUSINESS GROUP</th>
<th>FUJI XEROX ASIA PACIFIC PTE LIMITED</th>
</tr>
</thead>
<tbody>
<tr>
<td>China based</td>
<td>Singapore based</td>
</tr>
</tbody>
</table>

**AGREED OPERATING PLAN**

**OPERATIONAL DIRECTION**

**FUJI XEROX AUSTRALIA PTY LIMITED**

**MONTHLY EXECUTIVE BOARD MEETINGS**

Managing Director & General Managers of each division of the business

- Policy development
- Company review & results
- Customer satisfaction feedback
- Employee satisfaction feedback
- Quality, Environment, Safety report
- Community engagement review

**MONTHLY DIVISIONAL MEETINGS**

Managing Director, Divisional General Manager & Business Managers

- Division review & results
- Operational policy decisions validation
- Coordination of the supply of products and services

**SITE CUSTOMER SATISFACTION MEETINGS**

Executive Board representative & cross-functional business managers at each site

- Review Customer Satisfaction levels and issues at site level
- Vehicle for communication of Customer Satisfaction matters up to and in from the Executive Board Meeting
Business compliance training

During the year under review, we completed the implementation of an internal computer based OH&S training module and an external online module on Trade Practice Act compliance training. Some 447 staff operating in customer and supplier facing roles have undertaken Trade Practices Act training and testing (Figure 5). This training vehicle will also provide Privacy Act compliance training to key personnel in 2007/2008, and constitutes a comprehensive solution, which addresses all levels of understanding, assesses participant learning and maintains comprehensive records. Our work in this area builds upon our existing Trade Practices Act compliance program, which includes the legal vetting of all advertisements and promotions.

Business ethics

Fuji Xerox Australia’s commitment to corporate citizenship is also reflected in our approach to integrity and ethical behaviour. Our contract of employment with employees incorporates an obligation to comply with our business ethics policy. We confirm that compliance each year with a group of several hundred employees and a discreet disclosure/whistle-blower mechanism is also available to employees and external stakeholders. No issues arose in the 2006 ethics and legal compliance confirmation and there were no disclosures through our whistle-blowing mechanism during the year.

Allegations and complaints

Over the last two years, we have endeavoured to ethically resolve a challenge made by a former employee, made redundant in 2002, that the company had mistreated him in the early 1990s. The person concerned was deemed to have no legal rights of claim. Nonetheless, we apologised for our unintentional denial in 1994 of key facts at the heart of his concern, and sought to agree a morally appropriate settlement of his claim. We commissioned an independent examination of the matter by a former Commonwealth Ombudsman, Alan Cameron. The purpose was to examine the fairness of our handling of the matter and to determine what payment, if any, should be made in settlement of the claim. We have offered to pay the amount recommended by Mr Cameron in his report, however, that offer was rejected by the complainant, who has proposed a significantly larger amount. The matter remains unresolved.

No allegations of anti-competitive behaviour or corrupt practice were received in 2006/2007. We did receive a complaint from the Australian Competition and Consumer Commission relating to our failure to quote certain prices on our website inclusive of GST, after which the web site was immediately updated. An unreported allegation by a market participant in the previous year alleging that Fuji Xerox Australia had behaved in a manner that was exclusionary was settled being without foundation.

Privacy

The nature of our business is such that we are often given a deep insight into the affairs of our customers. In addition to the common law obligations of our employees to respect and protect such confidential disclosures, every employment contract includes a written obligation to respect the confidentiality of all company and customer information. This obligation is reconfirmed annually – all managers are asked to verify that they have not become aware of any transgression.

As we progressively move from being a company that supplies hardware to a provider of business solutions, our access to customer data will grow. This development, combined with the need to preserve the integrity of our own business information, has led us to carefully prepare for participation in a regional security initiative. Its purpose is to better secure our information assets through a comprehensive standard group security procedure. Two of the most critical elements of this initiative will be the introduction of a secure universal employee identification and authentication card and high-level encryption protection on the electronic storage of all confidential information, which may be taken outside of company premises.

In our privacy policy, we have formally committed to comply with the Privacy Act 1988 and the National Privacy Principles. Whilst no complaints were recorded with the Privacy Commissioner in the year under review, we have received routine “opt out” requests requesting the removal of the requestor’s name from our marketing data base. The privacy of our employee records is maintained in accordance with an internally published policy. Under that policy, each employee is allowed access to their file at any time.

Financial integrity

Our fiscal integrity is assured by a financial audit conducted by Ernst and Young, who also conduct the audit of our parent company. The financial statements for each of the companies comprising the Fuji Xerox Group in Australia have been placed on public record, having been filed with the Australian Securities and Investment Commission. Each company’s audit report is free of qualification.

During the year, Fuji Xerox Australia commenced activities to ensure compliance with the Financial Instruments and Exchange Law (JSOX), effective from 1st April 2008. JSOX is the Japanese equivalent of the US Sarbanes-Oxley Act of 2002, which sought to restore investor confidence in US capital markets following corporate scandals such as Enron and Worldcom. The focus of JSOX is on corporate governance practices, and internal controls of listed Japanese corporations. It requires a statutory report on management’s assessment of the effectiveness of internal control over financial reporting. The external auditors must provide an audit opinion on the management assessment process. As a material subsidiary within the Fuji Xerox group, Fuji Xerox Australia is undertaking the necessary work to ensure that it is fully compliant with these stringent legislative requirements, thereby enhancing the rigour of our own financial reporting.
Customers are a primary stakeholder group for Fuji Xerox Australia. We strive to ensure that our solutions exceed their expectations, and this includes addressing their businesses’ environmental sustainability objectives. We also seek to respond to customer requirements through innovation that addresses their business drivers, through excellence and efficiency in customer service, and through customer satisfaction systems that allow us to learn from their experience with our equipment and our services.

Creating sustainable value
Fuji Xerox Australia technology and services are designed and managed to improve sustainability performance for customers. Our equipment features environmentally responsible design and energy efficient enhancements. Our document software and digital technologies reduce paper wastage and our services enable clients to improve the efficiency of document intensive business processes and to optimise their equipment footprint to save costs and cut carbon emissions.

Equipment designed for the environment
Every piece of Fuji Xerox equipment, from multi-function office devices to high volume production presses is designed with the environment in mind, enabling our customers to feel confident that they are working with an environmentally responsible business partner. Our parent company’s environmental initiatives start from the design stage of product development, where we incorporate technologies that:

- Eliminate the need to use hazardous material such as lead-based solder;
- Enable low energy consumption during use of the machine;
- Utilise innovative and energy efficient toner and ink technologies; and
- Will later facilitate the remanufacture and recycling of used machines and parts.

Solutions for responsible businesses
Our document software and digital technologies enable our customers to reduce paper wastage and achieve business and environmental benefits.

In the office, our customers can:
- Copy, print, fax, scan and email with one energy efficient machine, reducing energy consumption and costs;
- Reduce paper wastage through features such as duplexing, multiple-up printing, booklet making and scan-to-email and fax-to-email capabilities;
- Divert large workloads to be efficiently produced in professional print environments (internal or external).

In the large volume production print environment customers can:
- Reduce paper wastage through print-on-demand functionality;
- Deliver highly personalised on-demand communication using multiple media channels such as print, web, e-mail and mobile devices, thereby reducing excessive paper consumption;
- Enable increased relevance through personalisation and allow the ability to track and measure return on investment.

Improving business and environmental efficiency
Fuji Xerox Australia also provides managed document services to clients with document intensive business processes that can:

- Profile entire print networks and pinpoint areas for efficiency and increased productivity;
- Identify alternate workflow mechanisms, streamline document intensive routines and alleviate paper burden by replacing print with electronic transfer and storage;
- Ensure economies of resources (from real estate to energy to human resources) in the management and improvement of specific business processes;
- Enhance communication services by blending online deliveries and traditional print, enabling effective communication through multiple channels with a smaller environmental footprint;
- Consolidate and optimise hardware to achieve significant energy and cost savings;
- Re-direct paper-intensive loads to alternate production outlets and consolidate smaller, more energy hungry devices.

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1. We started supplying products compliant with the EU Regulation on Hazardous Substances in 2005, having removed lead, cadmium, hexavalent chromium, mercury and PBB/PBDE from our products.
“Sustainability has become fundamental to IAG’s business. As well as working to reduce risk in society more broadly, we continuously strive to achieve improvements in our own environmental performance – that includes internal business processes. Through ‘MarketingHelp’ Fuji Xerox Australia has helped us to achieve cost and environmental efficiencies in our collateral production and distribution process. Instead of developing and distributing marketing collateral from a central location, we have been able to move to a more efficient regional model where collateral is produced where and when it is needed, reducing transport emissions and waste from collateral over-supply.”

GARY DRANSFIELD,
Head of Retail Sales & Service, NRMA Insurance, SGIO & SGIC
A lean, mean, green solution for EDS Australia

Challenge
EDS had a disparate, uncontrolled and ageing document output environment and needed to re-establish control over this environment while looking for cost savings, productivity gains and a contribution towards their carbon emission reduction target of 25% by 2010.

Solution
EDS engaged Global Services to implement a Managed Output Service. This service provided an analysis of the environment and implementation of a consolidated print environment using Fuji Xerox multi-function devices. The solution also included an onsite print centre managed by Fuji Xerox enabling EDS to efficiently manage high volume document production requirements in-house.

Benefits
- 79% reduction in carbon emissions achieved through consolidation of multiple diverse devices on a lean energy efficient Fuji Xerox print platform, and through reduction of printing and paper usage;
- 20% reduction of EDS print and administration costs;
- Increased business control and user productivity;
- Ability to work with one vendor instead of many for document service and support;
- High quality print and document output;
- On-demand document service and support in all EDS Australia offices.

2. Figures included here are EDS estimates.

Customer support and equipment reliability
Fuji Xerox Australia supports 15,000 customers through over 500 dedicated staff and contractors. We are the only document company in Australia with SCP Certification, an internationally recognised standard defining best practices in technology support centres. We aim to provide an excellent and efficient customer support experience. In fact, the optimisation of our equipment and service delivery processes has increased equipment reliability, reduced customer visits and cut carbon emissions from our service fleet.

Over the years, the reliability of our equipment has steadily improved and the duration between onsite support calls has increased (Figures 6 – 8). This has been achieved through equipment design improvements, engineer training and continuous improvements in support delivery processes, especially the establishment of our eSupport facility, which offers customers comprehensive web support and a highly skilled technical support group that resolves issues by telephone. Innovation in technology also allows remote access to equipment to monitor performance and diagnose and fix faults, sometimes without the customer even knowing of the issue. These eSupport initiatives resolve issues easily and quickly and decrease carbon emissions from customer visits. When visits are required, approximately half our service engineers travel in LPG-fuelled vehicles.

Innovation meeting current and future business needs
Innovation sets us apart. The Xerox Palo Alto Research Centre (PARC) and its three other research centres worldwide are renowned for innovative research. Fuji Xerox invests over $800M annually in research and development, and has six research centres in the region focused on new product innovation, including research on how to make our products even more environmentally sound.

Fuji Xerox also has four epicenter™ facilities in Sydney, Shanghai, Singapore and Tokyo, which focus on collaborative discovery with our customers and industry. At Fuji Xerox Australia, we enhance the functionality of our equipment to address the business needs of our market, and we support employee research to explore future market developments.

The Fuji Xerox Australia Down-To-Earth Officecare Guide offers practical suggestions for environmental action in the office, showing how to reduce energy, paper and water consumption.

www.officecare.info

Fuji Xerox Australia also supports our customers’ business development goals. ProfitAccelerator is a suite of tools and programs that provide world class resources in financial assessment, sales and marketing, design and staff development.
Innovation for office efficiency

Highlights of our local innovation during the year under review includes the expansion of the functionality of our ApeosPort multi-function device (MFD) with scanning, faxing, document management and cost recovery applications. Managed from one or more centralised servers and accessed via the MFD, these solutions not only enhance efficiency by streamlining workflows, but also enable seamless integration with business applications. For example, with the simple touch of a button at the user interface of the MFD, users can convert hard copy documents in a number of languages into electronic text, or searchable PDF files, prior to distributing these to email recipients or networked folders.

We also work with customers to customise document management systems for their needs. In one case, we have integrated our document software with an existing ERP system and automated an ordering and invoicing processes. This customer had diverse departments, multiple print devices and a range of paper needs. With Fuji Xerox they were able to route documents to their required locations and devices automatically, where they were printed on the specific paper required. These innovations give our customers greater control of their document processes and enable them to increase efficiency and reduce paper wastage.

Exploring future markets

We also support innovation through research into emerging document technologies. In April 2006, Fuji Xerox Australia, together with RMIT University and Common Ground Publishing, were awarded a Commonwealth Government Australian Research Council grant to undertake research into the impact of the emerging ‘semantic technologies’ on the Graphic Communications industry. The research builds on the ‘C2C – Creator to Consumer’ project, one of the most comprehensive and most significant international efforts to envision the future of the book in the context of radical changes in the publishing supply chain. The semantic technologies project takes this work to the next level by exploring further aspects of digital publishing and printing – including standards, intellectual property, usability and the broad implications for the industry and organisations from the adoption of digital communications processes.

Customer satisfaction

Customer satisfaction is our principal business value. It drives continuous improvement in our business and informs corporate quality policy. Many internal procedures and routines reflect our commitment to customer satisfaction and formal arrangements facilitate us hearing the ‘voice of our customer’, ranging from controlled compliment and complaint registration systems to direct surveying of customers’ views.

Customer Satisfaction Assurance System

A key element of our customer satisfaction infrastructure is our Customer Satisfaction Assurance System (CSAS) that is used to log customer queries, complaints and compliments. All such customer contacts are logged and controlled through an escalation process to enable queries and complaints to be
resolved in a timely manner. At a tactical level, local branch Customer Care personnel are made aware, and ensure resolution by the appropriate manager, and if necessary, raise the query at their monthly customer satisfaction meetings. At a more strategic level, the National Customer Satisfaction Manager conducts a causal factor analysis of queries and survey results, and recommends improvements to the executive board. The same CSAS system is also used to record compliments both from customers and employees regarding outstanding customer satisfaction actions taken by individual staff, leading to customer satisfaction awards that recognise meritorious performance.

Customer satisfaction meetings
We hold monthly Customer Satisfaction Meetings at all major sites, each attended by a General Manager. The purpose of these meetings is to identify customer issues and share information, feedback and ideas aimed at improving customer satisfaction.

Last year, we committed to improve aspects of our customer satisfaction system – one significant achievement has been the improvement of this meeting process, especially in the area of key performance indicators (KPIs) used at these meetings. Now, only KPIs that can be directly influenced at each respective site meeting are reviewed, resulting in more focused problem-solving activity. We have also reviewed our escalation process, and improved the close-out time for complaints.

In line with our commitment to continuous improvement, we have identified a further opportunity to enhance outstanding complaint analysis. Historically, the meeting focus has been on the immediate resolution of individual customer issues, instead of analysing systemic trends in complaints to remedy the underlying issues. To remedy this, a program to reinvigorate staff skills in quality improvement and problem solving will be developed in 2007/2008.

“This is critical research for the Graphic Communications industry, and for Fuji Xerox Australia and our customers in particular. We are contributing both our network of technology research and development, together with our practical understanding of the requirements of print rooms and document management so that the outcomes of the project are both practical and offer the industry immediately tangible value.”

ANNI ROWLAND-CAMPBELL,
Innovation and Research – Semantic Technologies
Customer surveys
Every year we conduct surveys to measure performance against our customer satisfaction target: 95% overall satisfaction with a minimum 40% very satisfied.

Global services
In late 2005, we established a robust and comprehensive customer satisfaction survey process, providing feedback from Global Services end users, contract administrators and executive sponsors. This information provides valuable insights to help refine our service delivery and better support our clients to achieve their business goals. The first standard customer survey was conducted between January 2006 and March 2007. Our customers indicated an overall satisfaction with Fuji Xerox Australia of 89%, with 11% expressing dissatisfaction. Specific feedback from the surveys has indicated areas for improvement that will help us to meet our target in future years (Figure 9).

Office equipment
We survey all customers using our office equipment to establish satisfaction levels with equipment, training and even administrative aspects such as billing processes. The Fuji Xerox office customer survey was redesigned two years ago and the most recent survey was conducted between January and June 2006. Our customers indicated an overall satisfaction with Fuji Xerox Australia of 95%, with 5% expressing dissatisfaction. We are pleased to have met our target, and note the increase in number of customers who are ‘very satisfied’ (Figure 10).

Production equipment
We conduct extensive face-to-face interviews with our production customers annually. These interviews typically take between 45 minutes to an hour to complete. Over the last five years, 70% of our customers have participated in this process. Our customers indicated an overall satisfaction with Fuji Xerox Australia of 96%. We are pleased to have exceeded our target and note the increase in number of customers who are ‘very satisfied’ (Figure 11).

Responding to what we hear
Survey analysis shows we meet our customers’ expectations, although some business systems cause occasional dissatisfaction.

☐ One such area is our machine delivery and installation process. The complexity of our supply chain means that equipment is not always delivered when expected, however, a significant investment would be required to improve this infrequent issue. A decision was taken to accept these anomalies, monitor the situation closely and communicate any delays in delivery.

☐ In response to a customer suggestion, an innovative tracking system called ‘Compass’ has been developed to provide online tracking for print and creative services requests. Compass is currently being rolled out to our Design and Print Production clients.

☐ Customers indicated that further staff training would be beneficial regarding aspects of our equipment, their installation and their use. In response training has been improved for Sales staff regarding new product releases and for Service Engineers regarding office network systems, document management and colour skills.

☐ Our approach to management and measurement of customer satisfaction and loyalty is under review, and we expect to outline improvements in our next report.
FIGURE 9 Global Services customers’ overall satisfaction with Fuji Xerox Australia

FIGURE 10 Office customers’ overall satisfaction with Fuji Xerox Australia

FIGURE 11 Production customers’ overall satisfaction with Fuji Xerox Australia
It is our goal to provide customers with an environmentally responsible solution that meets business needs and complies with our stringent product safety standards. Every piece of Fuji Xerox equipment is designed with the environment in mind.

Extended producer responsibility

“By embracing extended producer responsibility and through its approach to remanufacturing of equipment and parts, Fuji Xerox has demonstrated a commitment to environmental responsibility and efficiency. Fuji Xerox Australia can be justifiably proud of its efforts to become a ‘sustainable corporation’ by grasping the strategic business value and opportunities inherent in sustainability challenges. Its leadership in aspects of corporate sustainability provides a benchmark for other organisations.”

Dexter Dunphy,
Distinguished Professor, School of Management,
University of Technology, Sydney

End of life product stewardship

Fuji Xerox Company Limited has a long-standing commitment to accept responsibility for its products throughout their life cycle, shared by Fuji Xerox Australia (Figure 12).

The movement of our equipment from our parent through our Australian operations to our customers is depicted in Figure 13. The diagram also illustrates how we take back packaging, products, parts and toner cartridges returned by our customers for remanufacturing and recycling either at our Zetland Eco Manufacturing site in Sydney or at the Asia Pacific recycling centre in Thailand.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>Fuji Xerox Co Ltd starts recycling parts and consumables</td>
</tr>
<tr>
<td>1993</td>
<td>Remanufacturing of used parts is devised and developed at Fuji Xerox Australia</td>
</tr>
<tr>
<td>1998</td>
<td>Closed loop recycling technology is adopted by Fuji Xerox Co Ltd</td>
</tr>
<tr>
<td>2000</td>
<td>Fuji Xerox Australia opens a dedicated parts remanufacturing and recycling facility in Zetland – the Eco Manufacturing Centre – and wins a United Nations Global Environment Award</td>
</tr>
<tr>
<td>2004</td>
<td>Fuji Xerox Co Ltd opens an integrated recycling centre at Chonburi in Thailand to provide an end of life recycling facility for its nine operating subsidiaries across the Asia Pacific region</td>
</tr>
<tr>
<td>2006</td>
<td>The Eco Manufacturing Centre becomes a total waste management centre, accepting old equipment, parts and packaging from all Australian customers for remanufacturing and recycling at Zetland or for transfer to Thailand</td>
</tr>
<tr>
<td>2007</td>
<td>The Eco Manufacturing Centre announces plans to partner with Fuji Xerox manufacturing in Japan to develop remanufacturing programs for high-end products</td>
</tr>
<tr>
<td>2007</td>
<td>Our parent company establishes an integrated recycling system for used equipment and cartridges collected across China. When it commences operations in 2008 its disassembling and recycling capacity will cover up to 15,000 machines and 500,000 cartridges per year</td>
</tr>
</tbody>
</table>

FIGURE 12 Fuji Xerox Australia product stewardship
“By embracing extended producer responsibility and through its approach to remanufacturing of equipment and parts, Fuji Xerox has demonstrated a commitment to environmental responsibility and efficiency. Fuji Xerox Australia can be justifiably proud of its efforts to become a ‘sustainable corporation’ by grasping the strategic business value and opportunities inherent in sustainability challenges. Its leadership in aspects of corporate sustainability provides a benchmark for other organisations.”

DEXTER DUNPHY,
Distinguished Professor, School of Management,
University of Technology, Sydney
Design for reuse and recycle

The Fuji Xerox Group responsible producer initiatives start at the design stage of product development where a series of policies that will later support remanufacturing and recycling are applied. These policies allow for the disassembly of standardised, long-life parts and the use of high-rigidity materials that can be easily recycled. This creates the right conditions for efficient management throughout the product life cycle and end of life product recycling. In the year under review our parent company has recycled 99.1% of resources gathered from end-of-life products across the region – their target is 99.5%. Our parent company also reported a ratio of parts reuse of 67% – 14,000 of our products were manufactured using reused parts, increasing the cumulative number of such products to 290,000. As a result new resource input was reduced by 2,000 tons and 15,500 tons of carbon emissions were avoided. We plan to better measure the rate of equipment return and remanufacturing that we achieve in the Australian market so we can better understand and communicate our performance and its benefits.

Eco Manufacturing Centre

Our Zetland Eco Manufacturing Centre is a state-of-the-art engineering facility for the remanufacture of parts and sub-assemblies removed from equipment during service. During the year under review, we remanufactured 220,000 parts through this operation, saving in the order of $13M versus the cost of new parts. This compares with $20M in 2005/2006. The decrease in this figure is largely because a strategic decision was made...
to focus toner cartridge recycling for the region at our Thailand Integrated Recycling Centre. We have also noted an increase in the reliability of our equipment, which reduces both the demand and the supply of parts. We exported parts having a value of some $5.4 million that had been remanufactured in this facility.

As part of the Eco Manufacturing vision for total asset utilisation over the product life cycle the operation established a waste management centre in 2006, where all used parts, packaging and waste are managed. Data gathered in the first quarter of 2007/2008 show that 73% of normally thrown away parts (outside the identified stock shipped to the Thailand recycling centre) were remanufactured back to as good as new products, 18% were recycled, 9% asset recovered.

In the total waste management process, only 0.5% of these materials by weight went to land fill. These recent figures are a reflection of our performance in 2006/2007 (Figure 14). The expansion of our waste management activities at Zetland is reflected in the increased waste recycling streams we report for that site. Improvements are planned in the waste collection process to ensure only waste for which Fuji Xerox Australia is responsible comes through that operation.

Integrated Recycling Centre
The Asia Pacific Integrated Recycling Centre based in Thailand was developed by Fuji Xerox Co Ltd to process up to 30,000 units of equipment and 500,000 toner cartridges per annum. We joined this program in early 2005 after obtaining the necessary export licenses from the Australian Government in December 2004. In the year to March 2007, we exported 1,212 tonnes of machines and parts to this facility for recycling or remanufacture.

Fuji Xerox Eco Manufacturing Centre, Zetland
The facility in Thailand is achieving 99.2% resource recovery and is targeted to achieve 99.6%. To date it has recycled approximately 9,000 tons of resources from approximately 55,000 units of used products, dismantling and classifying them into 70 categories for recycling with 12 recycling partner companies in Thailand and Asia, and four in Japan. It has received certification under the International Environmental Management Standard ISO14001:2004, and has also completed and published its second Sustainability Report giving a detailed insight into its operations and achievements.
Energy conservation winner for eight consecutive years

Fuji Xerox won the Chairman’s Prize for energy conservation in the 17th Energy Conservation Center Awards ceremony in Japan in 2006. With eight consecutive awards, we remain the only company in the industry to have been awarded on such a consistent basis.

The DocuPrint C3050 colour laser printer, which received this year’s award, adopts its own free belt nip fuser technology to achieve high-speed, energy-saving ink transfer using a belt in the fuser unit to ensure a larger contact area with the paper (Figure 15). The printer employs a new low power consumption controller to achieve a 71% reduction in power consumption compared to the earlier Fuji Xerox DocuPrint C830, and a warm-up time of less than 30 seconds, a reduction of 91%. In addition, power consumption while in sleep mode is reduced by 80%.

The DocuPrint C3050 employs an effective waste heat dissipating structure to maximise natural convection currents, making the DocuPrint C3050 the first A3-capable colour printer with fan-less ventilation (Figure 16). This device does not require a fan motor, thus reducing power consumption by approximately 15W compared to earlier models and virtually eliminating all sound when the printer is in standby mode, making the environment where it is installed more comfortable.

Policies and procedures are in place to ensure that the local environment is not impacted by our resource recovery facility. A tracking system deters any illegal disposal, and parts containing hazardous substances can be exported to specialist waste management providers if required. We also monitor the environmental and OH&S management practices of our local recycling partners in Thailand. Where required, Fuji Xerox has committed to work with those partners to further improve their environmental management. The recycling system has received critical acclaim in Asia, and was profiled at the United Nation’s Regional Meeting of Global Compact Focal Points of Asia held in April 2007.

Energy efficient equipment

As early as 1997, Fuji Xerox Co Ltd made a commitment to halve the energy consumption of its equipment. By 2005 we had achieved an average 45% reduction in the power consumption rate and we continue to incorporate energy saving technologies into our equipment. The reduction in power consumption of our products is the cumulative benefit of a series of enhancements mainly around the fuser functions of the print engine. These enhancements enable lower power consumption, shorter warm-up time, toners that bond to paper at a lower temperature, and the achievement of shorter recovery times from power saving modes. As a result, when replacing old equipment with new, our customers can benefit from energy consumption reductions of up to 71%. Most of our products comply with the International Energy Star and/or Japanese Eco Mark programs. These products constituted 97% of our sales last year.

Sustainable office paper

Fuji Xerox is actively moving towards sourcing all of its copying and printing papers from sustainably managed plantation trees. The Fuji Xerox Group has established a standard and criteria for the sourcing of paper products, with which our Document Supplies Division complies when sourcing product in Australia or from overseas manufacturers. We have improved our process for assessing suppliers by developing and publishing our own improved Fuji Xerox Australia sustainable paper policy and asking our suppliers to sign declarations of compliance with it (www.xeroxsupplies.com.au). To date, four out of our five current suppliers have responded. As a result of the assurance of this report, we have become aware that one supplier who confirmed compliance with our policy may actually be non-compliant in one area. We will make further enquiries with that supplier and disclose the outcome of those enquiries in our next report. Pressure will continue to be applied on all our paper suppliers to submit full annual declarations of compliance with our policy, and where required, to provide evidence to support them.
As well as assessing our suppliers, we have recently secured Forest Stewardship Council (FSC) Chain of Custody certification. This certification will enable Fuji Xerox to demonstrate and promote compliance with government and FSC social and environmental standards, and to identify and control the sources of the raw materials used in the manufacture of its certified paper products.

We also provide recycled papers, which constitute about 10% by weight of our total commodity paper sales. There has been an encouraging 12% growth in the purchase of Recycled Content Products (RCPs) during the first five months of the company’s current financial year over the same period in 2006. While most organisations indicate interest in purchasing RCPs, the level of support could be stronger. To that end, we are a member of the Buy Recycled Business Alliance, which brings together businesses that are committed to promote use of RCPs and materials, and encourages the development of a marketplace for these products. We also actively promote our recycled content papers through specific marketing campaigns, one of which recently won a prestigious Jon Caples international advertising award.

Product safety

Product safety continues to be a priority for Fuji Xerox as evidenced in our policy statement. Fuji Xerox has developed its own safety standard called C11 covering all products it manufactures. C11 is a comprehensive set of voluntary safety requirements covering electrical, mechanical, physical and chemical safety that go beyond our statutory and international standard obligations. All products we supply are compliant with current laws, regulations and international standards, and in the case of Fuji Xerox manufactured products the C11 standards, our higher benchmark. We have had no incidents of non-compliance with any regulations.

The year under review witnessed the establishment of a ‘local safety incident handling office’, made up of senior managers within Fuji Xerox Australia. All incidents are handled and co-coordinated through this office, which is also responsible for communication within our organisation and to our parent company. This work is facilitated by ‘PL-Web’, an invaluable tool for recording regional incidents. The system records the incident, the class and all relevant information about the case. It defines the escalation timeline and ‘pushes’ the information to the relevant individuals and teams within the region.

Product development teams in Fuji Xerox Co Ltd closely monitor incidents from the field. Any recurrence of an issue can be quickly identified and the necessary safety modifications made and distributed to the field. Each incident is assigned a class, which defines the urgency of investigation. The table below shows the levels of classification. Classes A – C3 are defined as a ‘critical incident’.
**FIGURE 17** Incident classification

<table>
<thead>
<tr>
<th>SMOKE / FIRE INCIDENT</th>
<th>CLASS</th>
<th>PHYSICAL INCIDENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire in building; death due to fire</td>
<td>A</td>
<td>Death due to operation/handling</td>
</tr>
<tr>
<td>Spread of fire to room/building</td>
<td>1</td>
<td>Disability</td>
</tr>
<tr>
<td>Fire in product (fire on a component spreads to inside of a machine)</td>
<td>2</td>
<td>Injury that requires surgery &amp; hospitalisation</td>
</tr>
<tr>
<td>Component burnout (single component)</td>
<td>C1</td>
<td>Injury that requires treatment in first-aid room or hospital</td>
</tr>
<tr>
<td>Ignition (single element/paper)</td>
<td>C2</td>
<td>Minor injury that requires self-medication only</td>
</tr>
<tr>
<td>Smoke</td>
<td>C3</td>
<td>Unsafe condition where any incident is expected</td>
</tr>
<tr>
<td>Heat/scorch/odour</td>
<td>C4</td>
<td>Claim (unsafe condition, unsafe action)</td>
</tr>
<tr>
<td>Claim</td>
<td>D</td>
<td></td>
</tr>
</tbody>
</table>

**FIGURE 18** Product safety incidents

- **2004-05**: B1 = 0, C3 = 0, C4 = 6, D = 0, Other (external factors) = 0
- **2005-06**: B1 = 1, C3 = 4, C4 = 5, D = 2, Other (external factors) = 2
- **2006-07**: B1 = 1, C3 = 1, C4 = 16, D = 1, Other (external factors) = 1

**FIGURE 19** Distribution of product safety information

- *Material safety data sheets*
- *Product safety data sheets*
- *General inquiries*
**Product safety performance**

In the year under review, there was one incident involving property damage and 19 lower level incidents reported to the Fuji Xerox Co Ltd Safety Office. This compares to a total of 14 incidents reported in the previous year. This increase mainly comprises heat/scorch/odour incidents, caused by a toner odour issue. This problem has been resolved through an odour filter enhancement for affected products. Whenever components have been replaced after a classified incident, they have been sent to the group Safety Office in Japan for investigation.

The unit of equipment involved in the property damage incident has been extensively investigated in our Japanese laboratories. We believe the incident resulted from the failure of a terminal located on the wiring board of a noise filter. Based on parent company analysis, the incident has been assessed as having a very remote possibility of recurrence.

**Product safety information**

- Fuji Xerox Australia provides a standard ‘Customer Expectation Document’ as part of the sales process for our high-end equipment, which specifies the limitations of its use and the safety considerations for its service.
- We also make product safety documentation available through Material Safety Data Sheets (MSDS), Product Safety Data Sheets (PSDS), Product Safety Fact Sheets and general product safety information. Information provided includes incident prevention and management such as transport and handling, protective equipment and clean-up requirements.
Engaging employees

We aim to engage employees in the business as well as in environment and community activities. Our priority is to enable a committed, empowered workforce with responsibility and accountability for their contribution to business objectives. Engaging employees in local community programs and fostering their role in environmental responsibility has both business and broader community benefits.

Engaging employees in the business

We take our role as an employer seriously - a broad range of policies relating to general HR practices, recruitment and selection, termination, leave, employee conduct and learning and development guide our employment practices. We appreciate our business achievements are directly linked to the performance and engagement of our people. Reviewing our employment value proposition in light of that critical link provides insight into our strengths and areas that require strategies for improvement.

We continue to monitor and measure our performance in this area, and we are planning to develop and conduct a customised employee engagement survey to replace the previously administered employee satisfaction survey. This survey will provide more meaningful indicators of how effectively our people strategies, practices and leadership are engaging our employees in the business.

Key achievements 2006/2007

Appointment of Organisational Development Manager

- This role will provide input into the future growth and development of our people, fulfilling a key corporate objective – the growth of capability across all roles within the organisation.

Launch of an Employee Assistance Program

- Provision of an external professional counselling service for employees and immediate family, available 24 hours/7 days per week. This provides our employees and their families with professional support around personal and work-related issues.

“Fuji Xerox Australia aims to offer rewarding careers with development opportunities, within a flexible, diverse and safe working environment. Our goal is to align employment policies and practice, and management philosophies with our business direction, culture and values.”

BETH WINCHESTER,
General Manager Human Resources
Implementation of an Employee Referral Scheme

- Employees are able to refer colleagues as candidates to Fuji Xerox Australia for vacant positions, and will receive a ‘placement bonus’ once probation is completed.

Response to challenges

Performance management more directly linked to rewards

- It is our goal that all staff receive annual performance reviews, and that individual performance is linked to rewards received. We are upgrading our ‘Managing For Success’ system to tighten these links.

Management development

- An arrangement with NSW TAFE has been initiated to provide ‘frontline management skilling’ for new or prospective managers to improve their capability. We also plan to implement an improved senior management development program in the next year.

Business compliance

- We are reviewing the mechanisms whereby our people understand the requirements placed on them, which will ensure our workplaces provide an environment that is safe and free from all forms of harassment and discrimination.

An ongoing challenge is attracting and retaining people with the capabilities we need to achieve our business goals. Initiatives such as the employee referral scheme through to our analysis of why people leave the organisation are all aimed at meeting the labour market challenge.

Employment figures

Our company continues to grow – we employed 1,668 people at the close of the year under review. The following charts show the make-up of our workforce based on employment category, gender and region (Figures 19–20).

Attrition

During the reporting period, 255 permanent staff left our employment, resulting in an increased turnover rate of 15.6%, which compares favourably with the AIIA industry average of 18.1% (Figures 21–25). This increase could be attributed to a gradual shift from a compliance culture to a performance culture in our organisation. In the year under review, our focus on performance management increased with the development of enhanced management skills in this regard.

We carefully monitor why people leave employment with our company and we analyse the associated trends to guide our retention strategies. This is especially important given changing demographics and increased competition for talent. We find that disproportionate numbers leave in the first two years of service, and in the 26 to 35 year old age group. However, we are pleased to note the turnover rate drops for people who have been with the company for five years or more.

We view turnover as both positive and negative, on one hand it provides us with the opportunity to bring in new people, and is expected as people look for new challenges and experiences. On the other hand the loss of knowledge and skills presents challenges, particularly in people who have just begun their career with us. We are constantly looking for ways to ensure that we provide viable career options that minimise turnover and people development is a key element of our retention strategies.
Female 32%  
Male 68%  

Attrition by gender:

Female 32%  
Male 68%  

Attrition by years of service:

0 – 1 years 22.0%  
1 – 2 years 19.9%  
2 – 5 years 25.7%  
5 – 10 years 22%  
> 10 years 9.9%  
0 – 10 years 22.5%  

Attrition by state:

QLD 6.3%  
NSW 62.7%  
SA 0.4%  
VIC 21.2%  
WA 5.9%  
ACT 3.5%  

Attrition by age:

Over 65 0.5%  
56 – 65 5.2%  
46 – 55 12.6%  
36 – 45 25.1%  
26 – 35 45%  
18 – 25 11.5%  

Reasons for voluntary and involuntary termination:

Career &/or salary reasons 36%  
Domestic &/or personal reasons 20%  
Relocating to another location 9%  
Various other reasons 10%  
Redundancy 13%  
Termination for performance or conduct reasons 8%  
Various other reasons 4%  

2006 Voluntary terminations  
Involuntary terminations
Learning and development

We believe that capability is a long term competitive differentiator, and that our success will depend upon how well and how fast we build the capabilities we need now and in the future. With that in mind, we are reviewing our approach to people development and focusing on how we better build a learning organisation.

Developing capability means enhancing staff effectiveness in their current role and improving their readiness for their next role. We seek to balance the needs of the business with individual aspirations, and we try to create the opportunity for all our people to grow professionally and personally.

Our approach to individual capability development is based on these principles:

☐ Line managers should have a clear view of the accountabilities of each of the roles that they manage, and of the capabilities required to deliver those accountabilities;

☐ Individuals should have a clear view of their capabilities relative to their role, and of their development priorities;

☐ Development initiatives should be based on a robust assessment of individual development needs;

☐ The most powerful development experience is the doing of the job itself;

☐ On the job development opportunities should be actively identified and utilised;

☐ Line managers lead the development of capabilities in their people;

☐ Capability development is a partnership between individuals and their managers;

☐ Individuals need to receive regular and robust feedback on their performance and contribution.

Training

72% of the permanent workforce participated in off-the-job training. This decrease compared to last year’s figures can be explained by a recognition of the relative importance of on-the-job training and a prioritisation of external training that develops skills in strategic areas. This year, training included 60% of female employees and 75% of male employees. (Figures 26–27).

Most training occurs to equip our Service Engineers with the skills and knowledge to maintain new technology (45.5 hour average). As most of our engineers are male, this explains the difference in the number of hours training between the sexes. The next most significant area is Sales training (29.3 hour average).

Creating a supportive engaging culture

Flexibility and work/life balance

We believe that providing flexible working conditions will help our staff to achieve a positive work/life balance. This flexibility requires balancing the needs of individuals with those of the business. Rather than implementing a formal policy framework, managers are empowered to make arrangements that accommodate staff circumstances and meet business requirements. Our people can work remotely, including from home, with access to e-mail and other relevant systems. We have a number of people who work part time, job share or work flexible hours. Some of these arrangements are ongoing, others are on an ‘as needed’/agreed basis.
FIGURE 26 Training by employee

- Service: 50.1%
- Sales: 13.8%
- Managers: 4.2%
- Team leaders: 7.2%
- Other: 24.8%

FIGURE 27 Average hours of training

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average hours training per employee</td>
<td>23.4</td>
<td>25.6</td>
<td>20.1</td>
</tr>
<tr>
<td>Average hours training – men</td>
<td></td>
<td></td>
<td>24</td>
</tr>
<tr>
<td>Average hours training – women</td>
<td></td>
<td></td>
<td>9</td>
</tr>
</tbody>
</table>

FIGURE 28 Employees by age and gender

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Males</th>
<th>Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 18 years</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>15 – 25 years</td>
<td>68</td>
<td>47</td>
</tr>
<tr>
<td>26 – 35 years</td>
<td>328</td>
<td>155</td>
</tr>
<tr>
<td>36 – 45 years</td>
<td>391</td>
<td>129</td>
</tr>
<tr>
<td>46 – 55 years</td>
<td>306</td>
<td>87</td>
</tr>
<tr>
<td>56 – 65 years</td>
<td>122</td>
<td>27</td>
</tr>
<tr>
<td>&gt; 65 years</td>
<td>6</td>
<td>1</td>
</tr>
</tbody>
</table>
Diversity and equality
Women held 18.8% of management positions in our organisation as of 31 May 2007, when we submitted our last report to the Equal Opportunity for Women in the Workforce Agency. Figure 28 shows the split of our workforce based on age and gender.

Our approach is to ensure we have the best people in each role. We also recognise the value of diversity in all its forms – our organisation can only be strengthened by varied contribution from a range of mixed voices. Our goal is to support and progress gender, generational and cultural diversity within the business. We monitor our processes to ensure they are consistent with these goals.

Reward and recognition
Fuji Xerox Australia has devoted substantial attention towards developing an organisation that recognises and rewards the effort of our employees. Celebrating success is a key value, and our remuneration, bonus and incentive schemes reflect that.

We have also established three forms of non-financial recognition: formal recognition, informal recognition and long service awards. Our formal and informal recognition program works through a nomination process to recognise the contribution of employees in support of customer satisfaction. Compliments and commendations from internal and external customers are recorded in a central database.

“It was a very pleasant and rewarding surprise to receive the prestigious President’s Club Award this year. My colleagues Lorraine Sangster in Queensland and Anthony Lewis in Victoria were also overcome by this unexpected privilege. It gave us the opportunity to meet Fuji Xerox staff from across the Asia Pacific region. As this year it was held in Perth, it also allowed us to extend our hospitality and friendship to these people, many of whom had never been to Australia before”.

JULIUS DHANU,
Operations Manager,
Eco Manufacturing Centre – Zetland

Table 2 Staff benefits

<table>
<thead>
<tr>
<th>STAFF BENEFIT</th>
<th>NO. OF EMPLOYEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company superannuation with life and disability insurance</td>
<td>1457</td>
</tr>
<tr>
<td>6 weeks paid maternity leave</td>
<td>19</td>
</tr>
<tr>
<td>Paid paternity leave of up to one week within Sick Leave entitlement</td>
<td>43</td>
</tr>
<tr>
<td>Novated leasing for motor vehicles</td>
<td>145</td>
</tr>
<tr>
<td>* Free onsite financial advice</td>
<td>29</td>
</tr>
<tr>
<td>Healthy heart checks</td>
<td>554</td>
</tr>
<tr>
<td>Flu vaccinations</td>
<td>473</td>
</tr>
<tr>
<td>Salary sacrifice scheme for the purchase of portable computing devices</td>
<td>228</td>
</tr>
<tr>
<td>* Controlled access to the internet for personal use</td>
<td>Most employees</td>
</tr>
<tr>
<td>Employee Referral Scheme</td>
<td>Available since 26/02/2007</td>
</tr>
</tbody>
</table>

* Temporary staff benefits
From the analysis of these compliments and commendations, formal recognition is given through Managing Director awards and national, state and local awards. Out of the 1,203 compliments received by employees during the year (compared to 1,378 the year before), 103 national and state awards were given. In terms of informal recognition, managers are encouraged to show appreciation to both individuals and teams for a job well done. Service awards are given in recognition of long service at five year intervals. In addition to the above, our President’s Club and President’s Award recognise pre-eminent performance in sustained sales achievement and a sustained record of outstanding general business contribution that warrants international recognition.

Benefits
Permanent (both fulltime and part time) employees are entitled to a range of benefits. Table 2 indicates the number of employees who availed of each benefit during the reporting period.

Labour relations
We continue to negotiate successfully with our unions to establish Enterprise Agreements for the staff they represent. 622 staff (35% of our workforce) are covered by such Agreements. Our Agreements focus on the conditions of employment of these employees, and are well above industry standards. All Agreements have clauses relating to the introduction of change in the workplace and communication.

Fuji Xerox Australia has negotiated Enterprise Agreements with our employees since 1996, and these Agreements are at the fourth or fifth stage of renewal. Current Agreements are as follows:
- Customer Support Organisation EA 2007 – covering Field Service Engineers (National)
- Distribution Employees EA 2006 (NSW)
- Eco Manufacturing Employees EA 2007
- Melbourne Warehouse Employees EA 2005
- Technical Services Operations EA 2004 (NSW)

During the year under review, we have tried to improve employee understanding of the negotiation process and in particular, new Work Choices Legislation. This has become vitally important as we move into further negotiations. We recognise the importance of open and informed communication with our employees and their union representatives to achieve a satisfactory outcome for all.

OH&S
At Fuji Xerox Australia, we promote safety awareness to minimise risk, and we provide a framework for managing incidents and emergencies. We also ensure the rehabilitation of workers in the event of an injury occurring. We have developed a range of policies, procedures, staff training and an incident reporting system. These resources and other materials, such as our OH&S policy, are accessible by all employees on the company’s intranet site. A network of OH&S coordinators provides onsite support and key sites have an OH&S Committee.

Performance
- Since June 2006 1138 employees undertook our re-launched OH&S induction training.
- No fatalities and no serious OH&S accidents incidents were recorded in the year under review, and the workplace safety authority did not undertake workplace inspections in any jurisdiction.
- A total of 73 Workers Compensation claims were submitted during the year, compared to 59 in the preceding year.

We are aware that we have work to do to improve OH&S management. A number of commitments have recently been made, including the regular review of statistics on accidents and incidents recorded in the business at the executive board meeting.
Staff engagement in local community programs

Fuji Xerox Australia is committed to making a positive social contribution. We have a number of initiatives to help the disadvantaged in the communities where we operate. While our operations don’t have an easily identified impact on local communities, we are aware of our potential social impacts on customers, employees and the broader community. Our management of issues such as product safety, work-life balance and the environmental impacts of our activities is reported in other sections.

The primary focus of our local community programs is to enable staff participation. Encouraging employees to volunteer within company time and providing matched donations helps to engage and retain staff, a key business objective. These programs also give staff a rewarding team-building experience and expose them to local sustainability issues in a positive way. There are benefits for the community, for the business and for our employees.

The last 12 months have witnessed a growth across most of our existing initiatives, including our long-standing relationship with United Way and our recent engagement with the Australian Business Community Network. Future plans are to further deepen those partnerships and identify opportunities to more closely align them with business value. We also plan to promote our matched donation scheme internally to address the decline in matched donations we experienced this year.

United Way

As referenced above, we are committed to work with United Way through ‘Corporate Connect’, whereby teams of staff work directly with community organisations as volunteers. 43 staff (equivalent to 293 hours) participated in three

“Our efforts to help the development of Tempe students remind me of my own early childhood experiences, when my first exposure to the English language was with a supportive primary school teacher who helped me learn through a new language. I know first hand the huge potential of mentoring programs to enhance future generations’ education and prepare them for a successful life.”

GEORGE NIDES,
General Manager Customer Support Operations
Corporate Connect experiences in 2006/07. In Adelaide, the facilities of the new ‘Trees for Life' premises were enhanced – staff bought and planted native shrubs and a toilet block was redecorated. Sydney staff helped to improve the quality of life of homeless people in the inner west by rejuvenating a community space, and made improvements to a homeless shelter in Woolloomooloo. These programs provide important community outcomes, as well as helping to build team spirit amongst our employees.

This year, seven Corporate Connects are planned across Australia. We also plan to maintain our relationship with Glebe School, where we have installed and maintain IT resources. We have continued to support the Redfern Waterloo Authority through a discounted communications solution that will help them engage the local community around our epicenter™ in an urban renewal project. It would please both parties to document the outcomes of this project in due course.

Australian Business Community Network
In 2006, Fuji Xerox Australia entered into a partnership with the Australian Business Community Network (ABCN). This initiative brings together major companies to support schools operating in under-privileged areas. We chose to work with primary and secondary schools in Tempe as they serve the community in which our Mascot and ATP offices operate. The students of these schools often speak English as a second language, and many come from under-privileged homes.

Our relationship with the Tempe schools works at multiple levels. We are developing our employees to provide reading assistance to primary students. The GOALS program provides specific mentoring and role model support to Year 9 students aimed at enhancing student aspirations and encouraging the completion of secondary education. In addition to this, our Managing Director provides corporate counsel to the Tempe high school principal on topics such as performance management, and he has a governance role through a position on the ABCN board.

Community Service Awards
We encourage the engagement of our staff with the community in which they live and work. Fuji Xerox Australia has implemented a Community Service Awards program, which provides a series of grants to community organisations, with which our staff volunteer in their own time.

The program commenced in 2003 with applications from staff being assessed by our Community Care Committee, a cross-functional team within Fuji Xerox Australia. In the year under review, we donated $44,500 to 15 charities supported by our employees, with individual grants ranging from $1,500 to $5,000. The amount each community organisation received was based on three criteria: how long the employee has been involved with the entity concerned, how much time is spent volunteering with the organisation and the overall community benefit impact of the organisation.

Engaging employees in the environment
We aim to build awareness amongst employees about environmental issues and educate them on steps they can take to reduce the impact of their activities in the office and at home. Basic eco-literacy training is provided to all new employees as part of the induction process and bi-annual Staff Environment Awards commend those who have gone out of their way to improve environmental performance. Team activities also adopt environmental themes such as tree planting.

Moving forward, we intend to educate our staff about sustainability more broadly and empower them to address specific issues and meet EMS targets. This has been reflected in recent approaches to meet our new recycled paper target, whereby General Managers have been tasked with aligning their divisional practices with company policy. We also plan to build the capacity of our Sales and Marketing teams to communicate our sustainability performance.

“United Way is proud to have partnered with Fuji Xerox Australia for almost 20 years. During that time, we have been continuously impressed with their commitment to help those in need from the communities in which they have a presence. In 2006/07 staff contributed $35,575 to Workplace Giving, matched dollar for dollar by Fuji Xerox Australia. And in 2007/08 their staff will invest up to 900 volunteer hours within work-time to much-needed community projects, which help improve the quality of life of the under-privileged across Australia.”

BILL DOWNING,
National Programs Director, United Way, Community Funds of Australia
Fuji Xerox Australia uses its influence with external stakeholder groups to progress the corporate sustainability agenda. We work with industry and government groups to advance the adoption of extended producer responsibility and we ask our most significant suppliers to meet sustainability criteria.

Collaborating with industry to improve sustainability outcomes

Fuji Xerox Australia actively engages in industry association activities that drive the adoption of extended producer responsibility across our sector. Whilst we maintain an extensive end of life recycling process for our own equipment, we recognise that some will always find its way into the community waste stream. We participate in these initiatives both to address that residual and in recognition of the community’s expectation that companies like ourselves should take a leadership role in such matters.

Australian Information Industry Association

We work closely with the Australian Information Industry Association (AIIA) to establish an extended producer responsibility scheme for the computer and peripherals industry. After three years, good progress has been made; however, engaging the large part of our sector known as unbranded ‘or’ white box goods remains a challenge.

Byteback™

More recently, we have supported a comprehensive computer equipment-recycling project proposed by Sustainability Victoria and the AIIA. Byteback™ is a free service, available to residents and small business owners in Victoria who want to dispose of IT equipment in a safe and environmentally responsible way. Ten companies have joined the program so far. The Victorian Government has agreed to bear the full cost of non-participant product, allowing a well-supported trial to proceed that may have potential to be implemented more broadly.

Business Imaging Association of Australia

We are also participating in an Extended Producer Responsibility inquiry being conducted by the Business Imaging Association of Australia. This association represents multi-function device providers that sell to large businesses. They have commissioned a preliminary survey of member practices to investigate the viability of an industry environmental standards covenant or some form of extended producer responsibility scheme.
Progressing sustainability through government

Fuji Xerox Australia has no formal government lobbying policy, however, we will generally act to ensure the protection of our interests, in a manner consistent with our corporate values. Recently, we have promoted ‘green’ purchasing by government, recognising that this may benefit us commercially. Various actions have also been taken to support and promote extended producer responsibility initiatives (see previous page).

During the year under review, we followed up our prior year’s submission to the House of Representatives Standing Committee on Environment and Heritage Sustainability Charter Enquiry. The committee invited a representative of our company to attend a round table discussion in Sydney in October 2006. That person made various representations including restating our belief that sustainability practices must be led from the top of organisations, and that consumers need to be prepared to pay a little more for environmentally sound products.

Engaging business partners in sustainability

We have looked more closely at how we engage our business partners on sustainability. In the year under review, first steps were taken towards engaging our indirect Sales channel. While we have worked with our international paper suppliers to monitor their sustainability performance, 2007/2008 will be the first year we extend our sustainable paper policy to other paper-based office materials such as business cards, office stationery and marketing collateral. There is also an opportunity to engage our outsourced providers who help us to service our customer base.

Dealers and agents

In addition to our direct Sales force, Fuji Xerox Australia has 30 dealers and 23 Master Agencies across Australia. They are expected to produce almost $122.5M of equipment sales revenue in 2007/2008. Our agents work on commission only, and work closely with branch management in metropolitan Sydney, Melbourne, Adelaide, Perth and Canberra.

Our dealers are more independent of the organisation, as they purchase equipment from us and resell it to their customers. The annual dealers’ conference held in February 2007 witnessed our first attempts to engage our indirect Sales force on our sustainability journey. These early efforts will be further developed in 2007/2008 as a review of our dealers’ management of sustainability issues is planned.

Suppliers

Historically, we have relied on our parent company to ensure the sustainability integrity of our international supply chain’s largest components, Xerographic equipment (including parts and consumables), and paper. The former is manufactured by Fuji Xerox and Xerox, both UN Global Compact signatories and committed to high levels of transparency in respect of their business practices. In the later part of the year, we took local control of our paper sourcing policy in order to enhance the policy and supervise compliance locally.

The inter-company purchase of equipment, parts and consumables, and the purchase of paper from international suppliers constitute 99% of our inventory purchases for resale (Figure 28). We still have a lot of work to do in pursuing sustainability principles with our smaller suppliers, and have not made the progress in the year under review that was originally planned. We have developed a new process and questionnaire for assessing suppliers; however, its implementation has been deferred due to other priorities. This will be addressed in the coming year.

In the area of human rights and responsible business, more broadly we see an opportunity to influence our international supply chain. We monitor how Xerox and Fuji Xerox manage this aspect of their operations by reviewing their sustainability reports and may provide feedback where appropriate. Fuji Xerox Co Ltd signed the UN Global Compact in 2002, was a founding member of the Global Compact Japan Network Steering Committee in 2005 and regularly participates in UN international conferences to advance the work of the GlobalCompact. Our parent company implements policies and procedures to ensure that its requirements as a signatory are met, including capacity building at our production sites in China.

Fuji Xerox Australia recognises that our international procurement should be informed by the principles of the Global Compact. We ask our third party paper suppliers in Indonesia, China, France and Germany to sign statements of compliance with the Compact, and we will conduct web searches on these suppliers to ensure their reputation reflects their statements.

We aim to look more closely at international procurement in light of our obligations through the UN Global Compact, and use our influence to promote sustainability outcomes through the supply chain.

![Figure 28 Inventory purchases for resale](image-url)
Toshio Arima, former President and current board director and executive advisor of Fuji Xerox Co., Ltd., was appointed to the United Nations Global Compact Board by the United Nation’s Secretary-General Ban Ki-Moon on July 6, 2007. The Global Compact Board, comprising 20 members, was inaugurated in 2006 to provide ongoing strategic and policy advice for the initiative as a whole and to make recommendations to the Global Compact Office, its participants and other stakeholders, in order to drive further continuity and development of the initiative. Arima earned his nomination from the governing committee of the Global Compact Japan Network for his aggressive efforts to promote CSR activities at Fuji Xerox, notably the development of the International Resource Recycling System and ethical sourcing.
**Minimising our environmental impact**

Our parent company environmental strategy has three fundamental pillars:

- Becoming a fully recycling oriented company;
- Offering outstanding environmentally responsible products to customers;
- Improving site environmental performance.

By implementing this strategy at Fuji Xerox Australia, we are committed to reduce the environmental impact of our own activities and at the same time, help our customers reduce their own environmental impacts. Our environmental policy, which makes implicit reference to the precautionary principle, reflects this commitment and can be downloaded at www.fujixerox.com.au/environment

**Environmental management**

Fuji Xerox Australia has an Environmental Management System (EMS) in place at all 17 sites, each of which is ISO 14001 certified and regularly audited by SAI Global. A national aspects and impacts register is maintained covering all sites. This register outlines our compliance with environmental regulation and other EMS requirements. In addition, our Mascot warehouse and our Zetland Eco Manufacturing Centre have their own site-specific registers applicable to ‘industrial sites’.

In August 2007, our Mascot warehouse will be supplemented by a new spares warehouse adjacent to it, for which we will be seeking certification. More information on our EMS can be found at www.fujixerox.com.au/environment

Commitment to continuous improvement is a fundamental tenet of our EMS. To that end, we have enhanced some of our targets and begun to measure performance in new areas. The Environment team still faces some challenges, especially in gathering complete and accurate environmental data, although there have been incremental improvements in the process year on year. We are still in the process of honing our internal infrastructures, procedures and systems to allow for better environmental management. The organisation as a whole supports the achievement of environmental targets; however, divisional accountability could be improved. This is something we plan to address in 2007/2008 by cascading sustainability goals, objectives and targets through the performance management system.

**Environmental performance**

Our environmental targets are informed by our policy, by assessing our impacts and with guidance from our parent company.

**Carbon**

We have stated our overall carbon output as an eco-efficiency factor reflecting how many millions of dollars revenue we earn per tonne of CO2 produced (Table 3).

This year we have adopted the GHG (greenhouse gas) Protocol Corporate Standard to better classify our greenhouse gas emissions and define our operational boundaries for direct and indirect emissions reporting. We also use the calculation methodology and emission factors from the Australian Greenhouse Office.

<table>
<thead>
<tr>
<th>TABLE 3 Carbon output</th>
</tr>
</thead>
<tbody>
<tr>
<td>TARGET</td>
</tr>
<tr>
<td>Double eco efficiency by 2010</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Our parent company reports the carbon emissions from every operating company, including regional manufacturing and logistics emissions in their Sustainability Report. Currently, Fuji Xerox Australia manages and reports emissions associated with electricity and gas usage, the company-leased service fleet and warehouse forklifts. While warehouse activity has increased due to increased levels of business, we continue to reduce our service fleet emissions through our enhanced e-service offering and by increasing equipment reliability. Only 9 vehicles in our company-leased fleet now run on petrol and the feasibility of changing to alternate fuel will be investigated during 2007/2008. (Figures 29–30).

We announced in last year’s Report that we have committed to purchase certified Green Power for all our sites by 2010, through 25% annual increments. Protracted contract negotiations and difficulties with our supplier meant we only achieved 11% Green Power in 2006/2007. However, we still plan to meet our 50% green power commitment in 2007/2008 (Figure 31).

Energy use remains a key challenge as our business grows. A small increase in total electricity consumption was due to the relocation of our West Melbourne warehouse into much larger premises in Port Melbourne. Similar increases may be recorded this year, as we will open a new parts warehouse in Mascot to deal with increased activity, although steps are being taken to minimise electricity and water usage on-site. Our strategies to reduce energy consumption are largely associated with building facilities upgrades and IT measures, and we plan to assess whether those strategies are effective and take further steps to achieve energy efficiency across the business during 2008.

To date, we have not reported our emissions from logistics and employee travel; however, we do manage some aspects already. We encourage efficiency in our outsourced Customer Service and Delivery Operations by asking our ‘valets’ to make fewer and more productive customer trips. This year, we plan to measure and report emissions associated with the transport of equipment, parts and consumables to our customers, employee air travel and transport of end of life equipment and old parts to Zetland and/or Thailand.

While we can easily measure carbon emissions from employee air travel, we have already identified some measurement issues with our logistics suppliers’ internal systems and processes that may hamper our progress. We expect that broadening the scope of our emissions measurement will affect the achievement of our current carbon target, which may be reviewed in light of that.

Waste
Becoming a fully recycling oriented company means that Fuji Xerox Group manufacturing operations have a zero waste to landfill objective. In Australia, we work to minimise waste to landfill across all our business operations and measure the percentage of waste that goes to landfill out of the total generated (Figure 32).

Waste to landfill remains one of our biggest challenges. We have continued to reduce the proportion of waste to landfill, although the total volume of our waste stream has increased.

In order to achieve further reductions, we have improved our current recycling system and we have also implemented co-mingled waste recycling at some of our larger sites. Contamination of co-mingled...
Electricity calculations include 860 tonnes carbon avoided through Green Power purchase.
A disproportionate increase in our carbon emissions from LPG fuel this year is due to application of a recently improved AGO emission factor.
waste is a common problem, so we will be educating staff and may monitor any problematic sites more closely. We have some challenges in measuring waste at shared occupancy sites, which we currently measure only as an estimate. We are working with our current suppliers to identify a solution and plan to put waste management out to national tender in 2008. Fuji Xerox Australia’s waste by type and destination for the past three years is shown in Figures 33 – 34.

**Water**

Water is a limited resource – we aim to increase efficient water use at all our sites. We achieve this by installing water efficient features in our kitchens and toilets whenever a building refurbishment is planned. Our Canberra site, which won a Sustainable Cities prize for its resource efficient design, also features rain water tanks.

Following our commitment last year to measure our water use, we have gathered data on usage levels at our 17 sites with mixed levels of success. We have accurate data for our six single occupancy sites, whilst for the remaining sites, we calculated an average per capita usage rate leading us to report total usage of 31,096KL. Because usage at all sites is not materially significant, we have decided not to install water meters but to rely on water efficient equipment to optimise water use. However, we will more closely monitor and identify opportunities to reduce consumption at our Mascot (12,686KL) and Zetland (11,396KL) sites. As these are industrial sites, they have high level of usage and the greatest potential for reduction.

**ISO certification**

We have maintained ISO 14001 certification for all our sites since 2003. An important aspect of site environment management is the avoidance of any emissions or spills from waste or liquid stored on our industrial premises – Mascot and Zetland. Systems and procedures are in place to ensure the controlled management and disposal of waste water and contaminated or hazardous materials in a responsible manner. There have been no fines, monetary sanctions nor significant incidents to report in the year under review.

**Paper usage**

Our paper usage refers to the amount of paper used for internal business purposes. This year, we have split paper usage between that which contains recycled content and virgin content. The company has a policy of maximising the use of Green Wrap paper (60% recycled) internally and ensuring that other paper supplies are sustainably sourced (Table 4).

Our goal is to reduce our utilisation of forestry resources relative to our growing business activities. We plan to increase revenue per tonne of paper used by 30% by 2010, and increase the proportion of recycled paper use to 50% (Figure 35). Programs to achieve that target will be planned and implemented in 2007/2008 with regular reviews of our achievement against target.

![Photo: Richard Tho](image)

**TABLE 4 Paper usage**

<table>
<thead>
<tr>
<th>TARGET</th>
<th>ACHIEVEMENT (2003/04)</th>
<th>ACHIEVEMENT (2004/05)</th>
<th>ACHIEVEMENT (2005/06)</th>
<th>ACHIEVEMENT (2006/07)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase revenue per tonne of paper by 30% by 2010</td>
<td>114 tonnes</td>
<td>115 tonnes</td>
<td>131 tonnes starting base</td>
<td>138 tonnes</td>
</tr>
<tr>
<td></td>
<td>$4.7M revenue/tonne paper</td>
<td>$4.9M revenue/tonne paper</td>
<td>$4.8M revenue/tonne paper</td>
<td>$5M revenue/tonne paper</td>
</tr>
</tbody>
</table>

Table includes a new paper target

![FIGURE 35 Increase recycled paper usage to 50% by 2010](image)
### FIGURE 32 Waste to landfill

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>% Waste to landfill</td>
<td>43.5%</td>
<td>32.5%</td>
<td>26%</td>
<td>13.8%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

### FIGURE 33 Other waste streams

<table>
<thead>
<tr>
<th></th>
<th>2004-05</th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>General waste (tonnes)</td>
<td>692</td>
<td>542</td>
<td>389</td>
</tr>
<tr>
<td>Pallets (tonnes)</td>
<td>66</td>
<td>37</td>
<td>8</td>
</tr>
<tr>
<td>Waste toner (tonnes)</td>
<td>106</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Plastic (tonnes)</td>
<td>250</td>
<td>210</td>
<td>27</td>
</tr>
<tr>
<td>Contaminated waste (tonnes)</td>
<td>–</td>
<td>–</td>
<td>2.9</td>
</tr>
<tr>
<td>Total (tonnes)</td>
<td>1114</td>
<td>789</td>
<td>427</td>
</tr>
</tbody>
</table>

Table includes data gathered from waste providers and estimates for shared occupancy sites; Contaminated waste includes a hazardous waste component.

### FIGURE 34 Recycled waste

<table>
<thead>
<tr>
<th></th>
<th>2004-05</th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metal</td>
<td>1291</td>
<td>947</td>
<td>432</td>
</tr>
<tr>
<td>Office paper</td>
<td>111</td>
<td>136</td>
<td>87</td>
</tr>
<tr>
<td>Cardboard</td>
<td>529</td>
<td>810</td>
<td>641</td>
</tr>
<tr>
<td>Plastic</td>
<td>32</td>
<td>79</td>
<td>26</td>
</tr>
<tr>
<td>Polystyrene</td>
<td>5</td>
<td>27</td>
<td>25</td>
</tr>
<tr>
<td>Pallets</td>
<td>233</td>
<td>181</td>
<td>230</td>
</tr>
<tr>
<td>Waste toner</td>
<td>106</td>
<td>40</td>
<td>18</td>
</tr>
<tr>
<td>Contingled Waste</td>
<td>–</td>
<td>–</td>
<td>4</td>
</tr>
<tr>
<td>Equipment</td>
<td>–</td>
<td>–</td>
<td>846</td>
</tr>
<tr>
<td>CRUs</td>
<td>–</td>
<td>–</td>
<td>366</td>
</tr>
<tr>
<td>Total</td>
<td>2307</td>
<td>2238</td>
<td>2675</td>
</tr>
</tbody>
</table>

Table includes data gathered from waste providers and estimates for shared occupancy sites.
Independent Assurance Statement
Fuji Xerox Australia Sustainability Report 2007

To Fuji Xerox Australia’s stakeholders
Banarra Sustainability Assurance and Advice (Banarra) was commissioned by Fuji Xerox Australia (Fuji Xerox) to assure its Sustainability Report 2007 (The Report) against the AA1000 Assurance Standard. In conformance with the Standard, our approach assures in terms of materiality, completeness and responsiveness (identifying and addressing the right issues and ensuring the reliability of the information presented). In addition, Banarra was commissioned to undertake a validation of The Report against the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

This is Banarra’s second reporting cycle with Fuji Xerox, so we have built on our previous understanding of the organisation and its progress.

Summary
We believe The Report provides a fair and balanced representation of Fuji Xerox’s material (most important) sustainability performance areas, issues and responses for 2006/07 in a way that allows stakeholders to make informed decisions. As part of our assurance process, opportunities for improvement were identified, including accounting for the provision of responses to all commitments from the previous report.

We are pleased to note the frank approach that Fuji Xerox takes to discussing key issues in The Report and also the openness and responsiveness with which the organisation addressed our challenges and feedback during the assurance process.

Assurance scope
Our report assurance scope included all sections of The Report relating to Fuji Xerox Australia. It excludes all data and claims from Fuji Xerox Group, Fuji Xerox Thailand and Fuji Xerox Printers. In future reporting years, we suggest that Fuji Xerox Australia request that Fuji Xerox Group and other Fuji Xerox operating companies introduce an assurance process for their publicly reported sustainability data and claims.

Banarra Assurance Methodology
We developed a register of material performance areas and issues, identified through research based on the AccountAbility five-part materiality test. This included interviews with nine Fuji Xerox external stakeholders and ten members of the Executive Team, including the Managing Director, Andy Lambert. Reviews were conducted of internal documentation such as policies, surveys and Executive Board papers and we carried out internet-based research for sector issues, standards and peer sustainability reporting.

Of the 93 relevant areas and issues identified, our criteria found 30 to be material. These issues focused our testing of The Report, which was done by developing audit trails, investigating assumptions, reviewing data generation procedures and conducting interviews. This testing enabled us to take a view on the materiality, completeness and responsiveness of The Report, along with the level of application of the GRI Sustainability Reporting Guidelines.

Additions since last year
This year we also reviewed Fuji Xerox’s application of the GRI Sustainability Reporting Guidelines.

Materiality – has Fuji Xerox identified what’s important?
Fuji Xerox proactively sought feedback on its previous report from selected internal stakeholders. This included stakeholder mapping and identifying and prioritising material issues for inclusion in this Report. The process would benefit from the inclusion of external stakeholder views as well as the formal development of materiality criteria and processes for evaluating the importance of issues.

All of the material issues we identified are acknowledged in The Report.

Completeness – has Fuji Xerox understood these issues?
Fuji Xerox has identified and accounted for its understanding of the majority of its material issues. We are pleased to note that the increased data within the corporate governance, economic, customer and employee sections of the report demonstrates a more comprehensive and balanced understanding of these areas compared to last year. Nevertheless, these sections would benefit from more targets. In addition, inclusion and discussion of occupational health and safety frequency rates and supporting OHS management systems would provide a more complete understanding of this material area.
Fuji Xerox’s data collection processes have improved since last year, leading to greater robustness in terms of the data initially provided for assurance. We did identify a number of errors in the figures and claims presented. All were addressed and are corrected in The Report.

**Responsiveness – has Fuji Xerox responded to these issues?**

The Report contains most of Fuji Xerox’s responses to material issues, however, there is one area where a response could be more fully accounted for – promotion of equal opportunity and anti-discrimination processes within the organisation.

Fuji Xerox has responded to the majority of the opportunities we identified in our assurance statement last year. In particular, we are pleased to note that Fuji Xerox has committed to providing Forest Stewardship Council paper products and has acknowledged the challenge of implementing human rights screening within its supply-chain. However, Fuji Xerox did not respond to two identified opportunities; to provide a more complete picture of health and safety performance; and to include more targets.

We believe Fuji Xerox has adequate resources to enable the implementation of the commitments articulated in The Report.

**Global Reporting Initiative**

We concur with Fuji Xerox’s own assessment that they have achieved GRI application level B+.

**Opportunities**

We have identified a number of opportunities for improvement, including:

- Increase the number of economic and social targets and review indicators used to ensure they enable demonstration of continuous improvement.
- Develop the summary performance table, including inclusion of key indicators and targets, to provide a concise and comprehensive summary of changes in sustainability performance.
- Ensure commitments are time bound and clearly identified so they can be easily found and understood by the reader.

These and other opportunities are presented in more detail in a report to Fuji Xerox management.

**Independence**

Banarra was paid by Fuji Xerox to conduct this assignment. Other than this payment and a senior executive being Richard Boele’s stepfather’s cousin, the assurance team declares itself independent in relation to Fuji Xerox and its stakeholders.

There is a detailed statement on our independence, impartiality and competencies at www.banarra.com.

---

**Richard Boele**
Certified Lead Sustainability Assurance Practitioner IRCA No. 1188527

**Rebecca Edwards**
Sustainability Assurance Practitioner
Banarra Sustainability Assurance and Advice
Sydney, Australia
25 September 2007
Fuji Xerox Printers

This appendix was provided by Fuji Xerox Printers (FXP – a division of Fuji Xerox Asia Pacific Pte Ltd) to provide a brief overview of its operations.

FXP distributes printers in Australia totally independently of the Fuji Xerox Australia Group of companies. It distributes colour and monochrome printers and multi-function devices across the Asia Pacific region. FXP is committed to creating products, services and technologies that provide outstanding value and performance to enrich the lives of our customers – a single philosophy which unites our operations across 12 different cultures in the Asia Pacific. By the end of March 2007, FXP had sold over 35,000 printers in Australia during the preceding year, achieving almost 300% year-on-year unit growth. FXP has been widely recognised in the industry as the fastest growing printer company in the region.

However, with this rapid growth comes great responsibility. FXP remains highly committed to conserving the environment through efficient use of resources and energy, the reduction of waste and pollutants, and the development of an environmentally responsible culture amongst our staff. Our Australian operation now purchases electricity produced solely from renewable sources, reducing our annual CO2 output by 14.8% over the previous year.

With regard to resource depletion, we have reduced paper consumption by 5% through staff awareness campaigns, and increased the use of recycled paper from less than 1% to more than 40%. We have almost completed the conversion of our service vehicle fleet to either LPG or smaller capacity 4 cylinder cars in order to reduce associated emissions, and currently 91% are now eco-friendly vehicles.

In Australia, we achieved ISO 14001 Certification in November 2003. Internationally, we have also been certified under the ISO14001 standard in New Zealand, Singapore, Taiwan and Korea. This certification ensures that we continuously improve our Environmental Systems through frequent Plan-Do-Check-Act management cycles.

Many FXP products are now certified under the Australian Environmental Labelling Association’s Eco Label ‘Good Environmental Choice’ declaration. Independently audited Eco-labelling ensures consumer confidence that the product considered for purchase has met national standards for environmental performance. The printers were awarded this accreditation for meeting various criteria, including no CFCs used in manufacture, electrical safety compliance, energy efficiency, environmentally friendly packaging, low ozone and low dust concentration.

A core belief shared by all of the FXP management team is that good citizenship is good business. It is good for our communities, for our people, and ultimately, good for Fuji Xerox. It means protecting our employees, our communities, and the environment from harm, and it means striving toward a sustainable world.

PETER DIPROSE
Environment Manager
Fuji Xerox Printers
July 2007
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1. Full disclosure is provided unless otherwise stated  
2. These aspects of governance are controlled by our parent company  
3. These aspects of governance are controlled by our parent company
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#### Economic

**Disclosure on management approach – economic performance**

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<th>Code</th>
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#### Environmental

**Disclosure on management approach**

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<th>Description</th>
<th>Page</th>
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<td>Percentage of materials used that are recycled input materials (partial)</td>
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<td>EN3</td>
<td>Direct energy consumption</td>
<td>51</td>
</tr>
<tr>
<td>EN6</td>
<td>Initiatives to provide energy efficient products and energy reductions achieved</td>
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</tr>
<tr>
<td>EN8</td>
<td>Total water usage</td>
<td>51</td>
</tr>
<tr>
<td>EN16</td>
<td>Greenhouse gas (GHG) emissions by weight</td>
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<td>EN18</td>
<td>Initiatives to reduce GHG emissions and reductions achieved</td>
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<tr>
<td>EN22</td>
<td>Total weight of waste and disposal method</td>
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<td>EN23</td>
<td>Significant spills</td>
<td>52</td>
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<tr>
<td>EN26</td>
<td>Initiatives to mitigate environmental impacts</td>
<td>26–33, 48–52</td>
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<td>EN28</td>
<td>Significant fines or monetary sanctions</td>
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#### Social

**Labour practices and decent work**

**Disclosure on management approach**

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<tbody>
<tr>
<td>LA1</td>
<td>Total workforce</td>
<td>34, 36</td>
</tr>
<tr>
<td>LA2</td>
<td>Total number and rate of employee turnover</td>
<td>36</td>
</tr>
<tr>
<td>LA3</td>
<td>Benefits provided to full-time employees that are not provided to temp/part-time staff</td>
<td>40</td>
</tr>
<tr>
<td>LA4</td>
<td>Percentage of employees covered by collective bargaining</td>
<td>41</td>
</tr>
<tr>
<td>LA10</td>
<td>Average hours of training p.a. per employee by employee category</td>
<td>39</td>
</tr>
</tbody>
</table>

#### Human rights

**Disclosure on management approach – investment and procurement practices**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR2</td>
<td>Percentage of suppliers that have undergone screening</td>
<td>46</td>
</tr>
</tbody>
</table>

#### Society

**Disclosure on management approach**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>SO1</td>
<td>Nature, scope and effectiveness of programs and practices</td>
<td>42, 43</td>
</tr>
<tr>
<td>SO3</td>
<td>Percentage of employees trained in anti-corruption</td>
<td>17</td>
</tr>
<tr>
<td>SO5</td>
<td>Public policy positions</td>
<td>46</td>
</tr>
</tbody>
</table>

#### Product responsibility

**Disclosure on management approach**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR1</td>
<td>Assessment of health and safety impacts (partial)</td>
<td>26</td>
</tr>
<tr>
<td>PR2</td>
<td>Incidents of non-compliance with health and safety regulations and voluntary codes</td>
<td>31</td>
</tr>
<tr>
<td>PR5</td>
<td>Practices related to customer satisfaction</td>
<td>20</td>
</tr>
<tr>
<td>PR7</td>
<td>Incidents of non-compliance with marketing regulations and voluntary codes</td>
<td>17</td>
</tr>
<tr>
<td>PR8</td>
<td>Substantiated privacy complaints</td>
<td>17</td>
</tr>
</tbody>
</table>

---

4. This is a material indicator for us however our internal systems do not currently enable full disclosure

5. The complexity of our international product lifecycle makes it difficult for us to pinpoint at which specific stages health and safety impacts are assessed and the percentage of product categories covered in each stage.
<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>Report on: 1.1, 2.1 - 2.10, 3.1 - 3.8, 3.10 - 3.12, 4.1 - 4.4, 4.14 - 4.15</td>
</tr>
<tr>
<td>C+</td>
<td>Report on all criteria listed for Level C plus: 1.2, 3.9, 3.73, 4.5 - 4.13, 4.16 - 4.17</td>
</tr>
<tr>
<td>B</td>
<td>Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Reponsibility.</td>
</tr>
<tr>
<td>B+</td>
<td>Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.</td>
</tr>
</tbody>
</table>

*Sector supplement in final version