Disclaimer
The 2009 Sustainability Report covers the Fuji Xerox Australia financial year ending 31st March 2009 and is published annually. The striking work of one of employees, Nasir Farhadi, is depicted on our cover, reflecting our reliance on the natural environment and the themes of organisational sustainability and productivity.

The Report complies with GRI level B+ requirements and has been independently assured by Banarra Sustainability Assurance and Advice in accordance with the AA1000 Assurance Standard 2008. Ernst and Young audit our financial statements, which have been placed on public record.

Our Sustainability Report is made available in this concise print format and on our external website at www.fxasustainability.com. We invite our readers to share comments, suggestions and thoughts on this Report by participating in the online survey. Amanda Keogh, national environment and sustainability manager, welcomes any further comments on our activities by email to Amanda.Keogh@aus.fujixerox.com.
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Foreword

Message from our Managing Director

‘Sustainability in its broadest sense underpins our business. We aim to run Fuji Xerox Australia 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.’

At Fuji Xerox Australia we scope sustainability broadly as the fundamental framework for our organisation’s ongoing success. Our vision is to achieve sustainable outcomes for all stakeholders. The execution of that vision requires a holistic view of what our stakeholders expect of us across the economic, social and environmental pillars of sustainability and the organisational capability to deliver.

This responsibility to stakeholders is a key tenet underpinning our approach to sustainability. In fact we see our ongoing sustainability as an outcome of running our organisation in a responsible way. We have identified the seven areas where we are held to account by our stakeholders. Our Sustainability Report is structured according to these seven areas of accountability, describing the direction we are taking on the most significant issues concerning our stakeholders and how we performed in 08/09.

Business performance

08/09 has been a year of two halves for Fuji Xerox Australia. The global financial crisis and the associated economic downturn in Australia impacted our revenue in the second half and led us to adjust staffing levels in some areas of the business in line with changed market conditions. Our focus on creating customer value and controlling costs has helped sustain an eighth consecutive year of revenue growth in a difficult period. This reflects that the fundamentals of our business are sound and that the direction we are taking to support continued growth is the right one. Our services business has increased outsourcing activity as customers seek out efficiencies in document intensive business processes. Revenue from annuities and document supplies has also risen, although equipment sales have been affected. The challenges of a highly commoditised and competitive marketplace persist. In response, we are better aligning ourselves around changing customer needs by innovating new solutions, expanding value propositions and developing appropriate sales and marketing strategies and capabilities.

Corporate governance

Robust governance and management frameworks and adherence to legal requirements are fundamental for sustainability. We see our commitment to values and ethics as an equally essential element of how we do business. Significant work has been undertaken in 08/09 to refresh and reconnect with our core values and develop a new Code of Conduct for the company. We have also made progress with embedding sustainability. New initiatives like our sustainability champions program and re-launching our environmental and community programs have increased levels of staff engagement. We have also begun addressing all areas of accountability in our business planning process, which means that each division is developing a better understanding of its own contribution to not just economic, but also environmental and social outcomes. Our challenge is to improve our understanding of stakeholder concerns across the full spectrum of sustainability and build appropriate responses into our business planning.

Improving customer experience

Fuji Xerox Australia is on a progressive journey to broaden and deepen our customer focus so that we can create customer experiences that will produce higher levels of loyalty. While we failed to formally measure satisfaction levels in every market segment in 08/09, our commitment to creating value for our customers and optimising the customer experience
the development of a federal waste policy underway. As we move towards
establishing an extended producer responsibility regime has progressed, with
08/09 our work with the Australian Information Industry Association to
We apply sustainability both inside and outside Fuji Xerox Australia. In
Influencing sustainability outcomes
we build the capabilities we need now and in the future.
differentiator and that our success will depend upon how well and how fast
continues; we believe that capability is a long-term competitive
communication. The company’s focus on organisational development
on 07/08 engagement levels is evidence of the improvements we have
we can strengthen our employment brand and better attract and retain
Fuji Xerox Australia is committed to improving employee levels so that
Engaging employees
Fuji Xerox Australia is committed to improving employee levels so that
we can strengthen our employment brand and better attract and retain
talented staff that contribute to our business objectives. Our 10% increase
on 07/08 engagement levels is evidence of the improvements we have
made in management training, performance management and staff
communication. The company’s focus on organisational development
continues; 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.

Minimising environmental impacts
We continue to minimise the environmental impact of our business
operations, especially in the area of carbon management. In 08/09 we
formalised a carbon strategy, reduced emissions by 19% through our
Green Power™ commitment and placed renewed focus on achieving
both cost and carbon efficiencies in our business by establishing a cross-
divisional carbon taskforce. We also established new carbon and internal
paper use targets based on absolute annual reductions of 1% year on
year; this is both a simpler and more progressive approach than our
previous targets, which were expressed relative to business growth. We also
removed the weight of product gathered at end of life from our internal
business waste measurement. This has necessitated the review of our
previous business waste recycling achievements and reveals the challenges
that lie ahead as we move towards our zero waste to landfill target.

In closing I would like to acknowledge the sterling achievements and
dedication of my predecessor, Andy Lambert, who will take the role of
corporate advisor to support this transition in leadership. I will be proud
to continue his commitment to leading a sustainable organisation. 08/09
witnessed other changes in the leadership team including the retirement
of our Corporate Affairs Director Ramsay Moodie, whose inspiring
advocacy for industry product stewardship schemes leaves a remarkable
legacy. We have recently appointed new General Managers in Corporate
Affairs, Business Services and Customer Support and I personally look
forward to working with them as we take the business forward.

Engaging employees
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Affairs, Business Services and Customer Support and I personally look
forward to working with them as we take the business forward.

As a stakeholder reading this Report, I hope that we have provided you
with a ‘sustainable outcome’ in our dealings together. I invite your direct
feedback in that regard, essential if we are to continuously improve on our
sustainability journey.

Yours sincerely

Nick Kugenthiran,
Managing Director
Report scope and approach

Reporting as a learning process

This is our fifth Sustainability Report. Enhancements to the reporting process and output this year include:

- Conduct of stakeholder-specific sustainability focus groups with our employees and customers.
- A more robust materiality process in line with the AA1000 Assurance Standard 2008.
- Establishment of further targets and performance indicators in many areas of the report.
- The development of a concise print Report focused on core material issues – issues ranked 1 to 14 are covered in summary in our print Report and further detail is provided, along with the remaining 6 issues, online.

Sustainability assurance

This Report complies with GRI level B+ requirements and has been independently assured by Banarra Sustainability Assurance and Advice in accordance with the AA1000 Assurance Standard 2008.

Fiscal integrity

Ernst and Young conduct our annual financial audits. 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 from qualification.

Report cycle

Our Sustainability Report is published annually and covers the financial year ending 31st March 2009. In some material cases, information is provided on events that occurred after year-end. This Report is published in August, five months after our financial year has closed and thirteen months after our last Report. Enhancements to Report availability online and the development of a concise Report have lengthened the Report development process this year.

Report boundary

This Report covers the Fuji Xerox Australia operation, which includes:

- Fuji Xerox Australia Pty Limited and its sister company Fuji Xerox Finance Limited. The financial figures in this Report reflect the statutory accounts for both these entities, adjusted where applicable for inter-company transfers.
- The Report scope does not include the managed services we provide on some customer sites. We recognise that the outsourcing of business processes such as print, design, mail and office services to us presents a challenge in environmental data collection.
- Fuji Xerox Australia operates a regional product distribution hub and a regional support centre on behalf of its parent company. Whilst these operations include 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 and therefore are considered within the boundary of this Report.
- It does not include Fuji Xerox Printers, although their operations are outlined in an appendix at the back of this report.

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, Europe and America, the sourcing of our paper from various global suppliers, the remanufacturing and recycling of our products 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. www.fujixerox.com/eng/company/sr/2009.

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. This year we offered introductory ‘webinars’ on photography and sustainability to those participating in the competition. We also ran an internal competition to select a popular winner and publicised the entrants’ photography in every office location. The striking work of Nasir Farhadi is depicted on our cover, reflecting our reliance on the natural environment and the themes of organisational sustainability and productivity.

The Report preparation process involved divisional participation in the provision of content and in the development of targets and key performance indicators.

The Report is distributed to all employees and managers are encouraged to explore its findings with their staff at team meetings.

Report availability and feedback

Our Sustainability Report is made available in concise print format and on our external website. We invite our readers to share comments, suggestions and thoughts on this Report by participating in the online survey at www.fxasustainability.com.au/survey.

Amanda Keogh, national environment and sustainability manager, would welcome any further comments on our activities by email to Amanda. Keogh@aus.fujixerox.com.

Our sustainability team would like to thank all the contributors, photographers, designers, editors and all of those who supported this project. The release of this Report would not have been possible without their assistance and input.
Stakeholder engagement and materiality frameworks

We see sustainability as an outcome of running our organisation in a responsible way. This involves providing a response to internal and external stakeholders on the issues that concern them relative to our economic, social, and environmental performance. We identified our stakeholders using the AA1000 Stakeholder Engagement Standard at an internal cross-divisional workshop in 2007. This year we have developed a more robust ‘materiality process’ so we can better identify the issues that concern those stakeholders. That work highlighted where our approach to engagement could be improved to ensure all relevant views are heard. We have well-developed mechanisms for engaging our primary stakeholder groups, customers and employees, who are also the main audiences for this Report. However our overall stakeholder engagement framework requires formalisation and some groups, such as suppliers, could be more actively involved in our sustainability agenda.

Preparation for this Report involved developing a register of our most important or ‘material’ issues. We followed a 3-step process to develop a numeric score for each issue.

We will continue to refine the materiality process by which we identify our key sustainability impacts, risks and opportunities and align it with risk management and strategic business planning. This will help us 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.

### Materiality process

<table>
<thead>
<tr>
<th>Identification of material issues</th>
<th>Score</th>
<th>Evaluation of relevance</th>
<th>Score</th>
<th>Determination of significance</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of stakeholder interest in this issue generally</td>
<td>1–5</td>
<td>The extent to which we have control over this issue</td>
<td>1–5</td>
<td>The extent to which the issue will impact our ability to deliver strategy</td>
<td>1, 2 or 3</td>
</tr>
<tr>
<td>How this issue is addressed in peer sustainability reports</td>
<td>1–5</td>
<td>How closely this issue is managed (does a policy/procedure exist?)</td>
<td>1–5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How this issue is addressed in stakeholder engagement mechanisms</td>
<td>1–5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How this issue appears in strategic business documents</td>
<td>1–5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

▲ Stakeholder engagement framework

1 Unless stated otherwise the engagement mechanisms listed are conducted on an ongoing basis.
Summary sustainability performance

Through our materiality process we found that the following issues took precedence. We are currently undertaking work to develop targets and key performance indicators for every area of accountability. This table is a work in progress; it reflects that we are on a progressive journey to embed sustainability management, measurement and reporting across the organisation.

<table>
<thead>
<tr>
<th>Material issue and rank</th>
<th>Direction</th>
<th>08/09 objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business performance (1)</strong></td>
<td>To be the leader in providing the Australian market with document management services and solutions.</td>
<td>Maintain leadership in our marketplaces.</td>
</tr>
<tr>
<td><strong>Customer satisfaction with equipment support and services (2)</strong></td>
<td>Shift from satisfying customers to creating customer advocates. Improve systems and processes for measuring and managing the customer experience.</td>
<td>Achieve overall office customer satisfaction index of 95% (40% very satisfied). Monitor customer satisfaction drivers with production clients. Meet office services, design services, mail services and print services customer satisfaction targets. Implement Global Services transition and transformation initiative.</td>
</tr>
<tr>
<td><strong>Staffing levels (3)</strong></td>
<td>Ensure the organisation employs people with knowledge and skills to support business objectives.</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Employee engagement (4)</strong></td>
<td>Improve levels of employee engagement in line with Hewitt best employers’ score.</td>
<td>Target 5% improvement in engagement levels in every division in 08/09.</td>
</tr>
<tr>
<td><strong>Carbon management (5)</strong></td>
<td>Improve cost and carbon efficiency of business operations. Work with key suppliers to provide low-carbon products and services. Provide customers with low-carbon solution and enable cost and carbon efficiency (see ‘providing customers with a responsible solution’ section).</td>
<td>Reduce carbon emissions 1% on 07/08 levels. Procure 50% Green Power. Develop a carbon strategy. Establish cross-divisional carbon task force. Improve carbon management and measurement through the logistics supply chain.</td>
</tr>
<tr>
<td><strong>Mitigating environmental impacts of product distribution (16)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Quality and innovation (6)</strong></td>
<td>Drive product and service innovations to create new market opportunities. Re-invigorate quality and focus on our core value of continuous improvement.</td>
<td>Foster and recognise innovation in our business. Maintain ISO 9001 certification.</td>
</tr>
<tr>
<td><strong>Organisational development (7)</strong></td>
<td>Transition to culture of manager-led development. Drive employee performance in line with business values and objectives.</td>
<td>Continue roll-out of performance management system (PACE). Develop and launch management training program. Roll coaching for capability development program out to sales managers (level 1).</td>
</tr>
<tr>
<td><strong>Responsible paper sourcing (8)</strong></td>
<td>Source both recycled and virgin paper from certified sources. Assess paper suppliers’ sustainability credentials and establish a path for continuous improvement. Develop resources and implement communication strategies so that we can act as a trusted advisor to clients on responsible paper sourcing.</td>
<td>Seek Program for the Endorsement of Forest Certification (PEFC) chain of custody certification. Educate stakeholders about sustainable paper. Bring new Forest Stewardship Council (FSC) and PEFC paper stocks to market. Review sustainability standards for paper sourcing and compliance assessment process. Test suppliers’ compliance with sustainable paper standards.</td>
</tr>
<tr>
<td><strong>Values and ethics (9)</strong></td>
<td>Educate staff so that ethical and legal breaches are minimised through the development and communication of a Code of Conduct. Live our values in our business.</td>
<td>Develop a new Code of Conduct to better instil values and ethics. Roll out revised values and integrate into performance management system. Conduct legal compliance training regularly.</td>
</tr>
</tbody>
</table>

**Progress key:**
- Met
- In progress
- Not met

---

2 Based on improved market conditions.
### Areas of accountability:

- **Business performance**
- **Corporate governance and compliance**
- **Improving customer experience**
- **Providing a responsible solution**
- **Engaging employees**
- **Minimising environmental impact**
- **Influencing sustainability outcomes**

<table>
<thead>
<tr>
<th>How did we do?</th>
<th>Progress</th>
<th>09/10 objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$780M total revenue, a 4.1% increase on 07/08.</strong> Global Services revenue grew 23.5%. Equipment sales revenue declined 1.7%. Document Supplies revenue grew 4.3%. Annuity revenues grew 4.3%.</td>
<td>●</td>
<td>5% growth in total revenue³.</td>
</tr>
<tr>
<td>Office customer surveys were not regularly conducted due to staff transition. Overall office customer satisfaction index declined to 90% (46% very satisfied).</td>
<td>○</td>
<td>Review Customer Satisfaction Assurance System, customer satisfaction meetings and customer survey methodologies. Review office and production customer satisfaction and net promoter score targets.</td>
</tr>
<tr>
<td>Production customer surveys were not conducted due to staff transition. Formalisation of ‘intensive care process’ for production clients.</td>
<td>○</td>
<td>Provide a closed-loop dialogue with customers regarding high-level survey outcomes, trends and action plans for improvement. Meet office services, design services, mail services and print services targets.</td>
</tr>
<tr>
<td>Office services fell 2% short of 92% overall satisfaction target and exceeded by 4% our 32% ‘very satisfied’ target. Print and mail services exceeded both targets, while design services fell short of both its customer satisfaction targets.</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>Global Services have formalised continual service improvements and service improvement planning.</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>1,846 employees.</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Overall engagement levels increased from 49% to 59%.</td>
<td>●</td>
<td>Target 5% improvement in engagement levels in 09/10. Run employee engagement focus groups and prepare action plans to address issues arising.</td>
</tr>
<tr>
<td>19% reduction in carbon emissions.</td>
<td>●</td>
<td>Reduce overall carbon emissions by 1% on 08/09 levels. Reduce carbon emissions from logistics 10% on 08/09 levels. Reduce carbon emissions from employee air travel by 10% on 08/09 levels. Review Green Power procurement. Implement more robust carbon data capture systems with logistics suppliers.</td>
</tr>
<tr>
<td>36% Green Power procured.</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>A carbon strategy was formalised focusing on operations, suppliers and customers.</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>A cross-divisional carbon taskforce was established and is working on opportunities for cost and carbon reduction in business operations.</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>A sustainability champion for logistics was appointed and is working on carbon measurement from logistics and opportunities for cost and carbon reduction in equipment distribution.</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>Conducted an internal review of innovation. Established a cross-divisional innovation council.</td>
<td>○</td>
<td>Identify a problem solving methodology and roll-out to divisions. Complete management quality report. Initiate research on semantics and sustainability reporting.</td>
</tr>
<tr>
<td>Completed formal problem solving processes in some divisions. Maintained ISO 9001 certification.</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>Implementation of full year cycle of performance management system (PACE) – 75% staff participation. Redefinition and repositioning of position descriptions (ongoing).</td>
<td>●</td>
<td>Roll coaching for capability development program out to sales managers (Level 2). Extend ‘sales manager as coach’ program to other divisional managers. Continue management training program.</td>
</tr>
<tr>
<td>Successful pilot and roll-out of management training program.</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>Coaching for capability development implemented with sales managers.</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>PEFC chain of custody certification has been achieved.</td>
<td>●</td>
<td>Secure 100% paper supplier compliance with minimum standards in 09/10 and ask for improvements in the management of issues of primary stakeholder concern. Conduct internal briefings on ‘The Paper Facts’ and develop marketing resources to establish a consistent corporate position on paper and the environment.</td>
</tr>
<tr>
<td>An internal white paper that ‘straight-talks’ about paper’s environmental impacts has been developed and will be circulated to stakeholders as part of a broader communications strategy in 09/10.</td>
<td>○</td>
<td>Integrate stakeholder feedback into sustainability standards and assess compliance at the close of every financial year. Review paper procurement process and integrate new sustainability standards with other business requirements.</td>
</tr>
<tr>
<td>The following certified stocks were brought to market in 08/09: Performer A4 &amp; A3 (FSC Mixed Sources), Colotech+ (PEFC), Green Wrap A4 &amp; A3 (PEFC Recycled) and Professional A4 &amp; A3 (PEFC).</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>More robust sustainability standards have been drafted for stakeholder review and we have strengthened our process for assessing compliance.</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>7 out of 8 suppliers have submitted responses with some incomplete information provided.</td>
<td>○</td>
<td>Launch Code and educate key staff on requirements. Establish and communicate procedure for monitoring and reporting breaches of Code. Formalise a register of breaches against Code. Review whistleblower policy and improve access to and visibility of whistleblower mechanism. Commence a third round of legal compliance training. Increase and tailor legal compliance course content and re-introduce targeted face-to-face training for specific needs. Review all relevant HR policies and procedures to ensure appropriate links to values. Measure alignment with values in each employee’s PACE performance management review.</td>
</tr>
<tr>
<td>A new Code of Conduct was developed.</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>A revised set of company values was rolled out to the business through the ‘Refresh and Reconnect’ program. Values were integrated into performance management system.</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>Legal compliance training was conducted.</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>Material issue and rank</td>
<td>Direction</td>
<td>08/09 objectives</td>
</tr>
<tr>
<td>------------------------</td>
<td>-----------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Mitigating environmental impact of equipment (10)</td>
<td>Reduce carbon emissions from the entire product lifecycle by 30 percent from 2005 levels by 2020.</td>
<td>Our parent company is responsible for product development³.</td>
</tr>
<tr>
<td>End of life resource recovery (11)</td>
<td>Optimise business and environmental outcomes from end of life resource recovery.</td>
<td>Achieve 280,000 parts remanufactured and 60 new remanufacture programs. Explore tension between zero landfill goal and carbon reduction target.</td>
</tr>
<tr>
<td>Helping customers become more sustainable (12)</td>
<td>(See material issues 8, 10 and 11)</td>
<td></td>
</tr>
<tr>
<td>Remuneration and recognition (13)</td>
<td>Ensure the organisation has appropriate reward and recognition programs so that we can attract and retain talent to support business objectives.</td>
<td>N/A</td>
</tr>
<tr>
<td>Sustainable supply chain management (14)</td>
<td>Work through the Xerox and Fuji Xerox Groups to assure integrity of our product supply chain (see respective sustainability reports). Assess paper suppliers' sustainability credentials and establish a path for continuous improvement (see material issue 8). Work with key suppliers to provide low-carbon products and services (see material issue 5). Ensure environmental, social and governance standards are applied to indirect procurement. Share sustainability standards with our indirect sales network.</td>
<td>Develop sustainable supply chain approach in procurement. Launch dealer sustainability program.</td>
</tr>
<tr>
<td>Embedding sustainability (15)</td>
<td>Integrate sustainability more formally into governance, planning and management frameworks. Engage staff and increase participation in social and environmental initiatives.</td>
<td>Align risk management approach with materiality process and refine both. Address seven areas of accountability in business planning. Implement a sustainability champions program.</td>
</tr>
<tr>
<td>Occupational Health and Safety (17)</td>
<td>Improve our incident and injury reporting system to create confidence and clarity regarding lost-time and claims data. Use this data and site reviews to identify and prioritise OHS risks of business operations and develop risk mitigation strategies.</td>
<td>Appoint external provider to supply accident management and rehabilitation services and OHS incident reports. Establish a Lost Time Injury Frequency Rate (LTIFR). Conduct independent risk assessment of major workplaces.</td>
</tr>
<tr>
<td>Community engagement (18)</td>
<td>Increase staff participation in WorkPlace Giving from 10% to 19% by 2012. Increase number of volunteer opportunities available to staff within working hours. Improve internal communications and staff awareness of community programs.</td>
<td>Review community initiatives and establish areas for improvement.</td>
</tr>
<tr>
<td>Environmental management of business operations (19)</td>
<td>Maintain ISO 14001 certification. Reinigrate environmental targets and re-engage staff in environmental programs. Run business operations with resource efficiency.</td>
<td>Maintain certification of environmental management systems (EMS). Certify three new sites. All future office developments in line with Green Star™ 4-star requirements. Improve divisional accountability by cascading environmental responsibilities into appropriate position descriptions. Review environmental targets. Re-launch the EMS to staff.</td>
</tr>
</tbody>
</table>
### How did we do?

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<thead>
<tr>
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<th>Progress 09/10 objectives</th>
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<tr>
<td>Entire office product range is compliant with 2009 Energy Star standard and certified by Good Environment Choice Australia.</td>
<td>N/A</td>
</tr>
<tr>
<td>230,000 parts remanufactured and 56 new remanufacture programs.</td>
<td>217,000 parts remanufactured and 50 new remanufacture programs. Identify and implement more cost and carbon efficient means of transporting and of life products back to our facilities.</td>
</tr>
<tr>
<td>Product stewardship committee continued to improve business and environmental outcomes from resource recovery.</td>
<td>Implement more robust product return measurement systems so we can calculate the proportion of products that are returned to us at end of life in comparison to the total distributed to the Australian market. Seek improvements in the processing of our Basel Permit.</td>
</tr>
<tr>
<td>1369 compliments to employees.</td>
<td>N/A</td>
</tr>
<tr>
<td>A National Procurement Manager was appointed. A sustainability code for suppliers was developed and has been added to tender documents.</td>
<td>Build a supplier database to monitor supplier performance metrics, including those focused on environmental, social and governance issues. Revise procurement policy and processes and integrate how we apply sustainability to the supply chain. Develop a risk assessment framework to identify ‘high risk’ suppliers that require specific environmental, social and governance metrics for improvement. Increase rigour of sustainability standards for dealers in 09/10 and build capability to improve performance.</td>
</tr>
<tr>
<td>25 out of a potential 39 dealer locations signed up to the first year of our sustainability program – 4 dealers failed to submit reports and were removed from the program.</td>
<td>Align risk management approach with materiality process and refine both. Review stakeholder engagement framework. Formally establish appropriate objectives under each area of accountability in the ISMD business planning process in 09/10 as a pilot for other divisions to follow. Continue the champion program and resource programs for improvement in line with sustainability objectives.</td>
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<tr>
<td>Some progress was made on risk management framework – a new General Manager will take that work forward. Materiality process was refined in line with new AA1000 standard.</td>
<td>Establish a cross-divisional OHS steering committee to develop an OHS strategy and to recommend the investments required in systems and resources to deliver that strategy.</td>
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<tr>
<td>Every division was asked to address our seven areas of accountability during their annual business planning process with mixed levels of success.</td>
<td></td>
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<tr>
<td>Launched an internal sustainability champions program, asking for nominees from every division to participate in projects that would improve aspects of social and environmental performance. Re-launched environmental and community initiatives internally.</td>
<td></td>
</tr>
<tr>
<td>An external provider was appointed.</td>
<td></td>
</tr>
<tr>
<td>While we addressed our management of workers compensation claims by appointing an external provider, some issues with their injury reporting have been identified which means we still cannot confidently report an LTIFR.</td>
<td></td>
</tr>
<tr>
<td>We postponed the OHS assessment of workplaces in favour of mitigating risks already identified. We formalised a process for identifying and managing risk associated with contractors working on our sites. Management oversight of OHS incidents and injuries has been improved through quarterly OHS reviews at leadership meetings.</td>
<td></td>
</tr>
<tr>
<td>Community engagement committee established and community champions appointed. New performance targets established. Re-launched community initiatives internally. 9% participation in Workplace Giving and $68,976 in matched donations. Improved employee access to Workplace Giving.</td>
<td></td>
</tr>
<tr>
<td>ISO 14001 certification has been maintained, however a non-conformance in how we monitor compliance with legal and other requirements was identified and promptly addressed. EMS have been implemented at two new sites.</td>
<td></td>
</tr>
<tr>
<td>We completed the design and fit-out of three tenancies in Port Melbourne, North Ryde and Brisbane using the Green Star Office Interiors V1.1 tool, and targeting a 4 star non-certified rating.</td>
<td></td>
</tr>
<tr>
<td>Cross-divisional environmental accountabilities and required capabilities have been defined – implementation has been delayed while we develop the same for OHS and QMS.</td>
<td></td>
</tr>
<tr>
<td>New carbon and paper targets were agreed – absolute reductions of 1% year on year are required.</td>
<td></td>
</tr>
<tr>
<td>The EMS has been re-branded ‘Sustainability on Site’ and a new internal communications program and revised awards program has been implemented.</td>
<td></td>
</tr>
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(See material issues 8, 10 and 11)
Corporate profile
Fuji Xerox is one of Australia’s leading document management technology and services companies marketing innovative technologies, products and services. Fuji Xerox has the experience and knowledge to design and implement document solutions for offices, print rooms, commercial printers and publishing environments, with expertise that includes print solutions, software, office supplies and managed services. The company, our management and our staff are driven to create sustainable value for our customers and that is reflected in our commitment to environmental responsibility and continuous improvement across all areas of the business.

Vision
Helping organisations to share knowledge and information to achieve sustainable outcomes for all stakeholders.

Mission
To be the leader in providing the Australian market with document management services and solutions.

Products and services
With knowledge key to an organisation’s success, Fuji Xerox offers a range of innovative solutions and services to help its customers manage the efficient flow of information, while reducing costs and overhead expenses. The range includes a comprehensive array of technology and software based solutions that address needs from the office through to graphic arts and production print environments. Included in this are multifunction devices that can print, scan, copy and fax, document management software, digital full colour printing presses, a range of paper and supplies as well as specialised managed document services. The company’s high customer satisfaction ratings underpin its reputation as an industry leader in the provision of customer service and technical support.

Organisation
Integrated Sales and Marketing
Markets and sells a complete range of office copier, printer, multifunction devices, production digital presses, and software solutions to government and commercial customers throughout Australia. Non-metropolitan areas are serviced through a network of 28 Fuji Xerox authorised dealers.

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
Markets a range of paper, supplies and consumables for use in both Fuji Xerox and competitor equipment, as well as a complementary range of finishing room equipment.

Customer Service
Provides software and hardware support services for customers.

Supply Chain
Provides warehousing and distribution across Australia.

Eco-Manufacturing Centre
Remanufactures spare parts and consumables used in the repair and support of Fuji Xerox equipment.

Internal support functions
The Human Resources, Business Services 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.

Contact
Fuji Xerox Australia
Head Office
101 Waterloo Road
Macquarie Park NSW 2113
Phone: 02 9856 5000
Fax: 02 9856 5003
Website: www.fujixerox.com.au
The year ending 31st March 2009 was a relatively successful period for the Fuji Xerox Group in Australia, despite tighter economic conditions in the second half. Overall, we experienced 4.1% revenue growth against 07/08. However, the sharp decline in the value of the $AU Dollar (AUD) compared to the Japanese Yen and US Dollar increased the inter-company cost of our products. Excluding this impact from currency, cost increases were held to 5.3% on the prior year. The Group continued to increase its total asset position to $870m, reflecting growth in finance receivables funded by the Group, along with further investments in technology.

Total revenues of $780m for 08/09 reflect the strong performance of the Fuji Xerox business in a tough economic climate. Fuji Xerox has maintained its market leadership position in our industry. However, the business continues to face significant challenges in maintaining and growing market share in a highly price competitive marketplace. Increasing commoditisation of traditional product lines offered to customers together with larger customers moving to a tendering process has created a consequent pressure on profit margins. In response, we are better aligning ourselves around changing customer needs by innovating new solutions, expanding value propositions and developing appropriate sales and marketing strategies and capabilities.

### Business performance

<table>
<thead>
<tr>
<th>08/09 objectives</th>
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<th>09/10 objectives</th>
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<tr>
<td>Maintain leadership in our marketplaces.</td>
<td>$780M revenue, a 4.1% increase on 07/08.</td>
<td>5% growth in total revenue across FXA²</td>
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<tr>
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</tr>
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### Business performance

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¹ Other 08/09 business performance targets ‘Create value through customer focused solutions’ and ‘Leverage sustainability advantage with customers’ have been too broadly stated for accurate measurement and are implicitly addressed in the customer and solutions sections respectively.

² Based on improved market conditions.

![Image of eight consecutive years of revenue growth](image)

Image by Nicholas Chin
Revenue from equipment sales declined marginally (1.7%) impacted by the worsening economic market conditions, especially in the second half of 08/09. While sales of black and white office units decreased by 9%, sales of office colour units increased by 14% and sales of production colour units increased by 31% on the prior year.

Showing continued growth, annuity revenues grew by 4.3%. This revenue stream comes from our support services agreements, and reflects the ongoing increase in both units of equipment in the field, the number of impressions produced on that equipment and the continuing trend to colour. 13.2 billion prints were performed on our equipment representing a 5.6% increase over the prior year, with colour prints showing the strongest growth.

Revenues of our Document Supplies Division continued to grow, achieving an increase of 8.4% on the prior year. The percentage of business transacted through its dedicated website increased to 66%.

Global Services also experienced high rates of growth, with services based revenue increasing by 23.5%. This increase was achieved through organic growth and the full year impact of business acquisitions made part way through the prior year.

The following tables provide a summary of actual payments made to employees and government during the year, including payments made by the company to employees of our Regional Support Centre and ANZ Hub (these employee payments are charged to our immediate parent company for accounting purposes).

A number of factors contributed to the lower income tax paid in 2008/09, especially the fall in value of the Australian dollar, as well as business slow-down attributable to the global financial crisis and the business taking advantage of the investment allowance scheme from the Australian Taxation Office.
Product and service innovations

Innovation keeps us at the forefront of our industry. Together the Xerox and Fuji Xerox Groups invested in excess of $2.46 billion AUD in research, development and engineering in 08/09. Ten research centres span Japan, America, Canada and Europe, including the renowned Xerox Palo Alto Research Centre (PARC). Fuji Xerox also has four epicenter™ facilities in Sydney, Shanghai, Singapore and Tokyo, which focus on collaborative discovery with our customers and industry. Research themes span reinventing technology and systems, rethinking how people work and redefining the document, which deliver innovations like electronic re-usable paper.

To strengthen the relevance of all research, there is an explicit focus on what is called ‘customer-led innovation’. This applies especially to Fuji Xerox Australia. As a member of the Fuji Xerox and Xerox world globally, our innovation challenge is less to do with transformative technologies and more to do with implementing tailored solutions within customer environments that solve a specific business problem. In 08/09 we conducted an internal review of how innovation occurs in our business and how we could better engender and recognise it. This led to the recent establishment of an innovation council with a mandate to foster an innovation-led culture so that we can leverage sustainable business opportunities and build on the continuous improvement values of the company. The specific work of the council will focus on:

- Promoting innovative approaches and organisational support for key initiatives.
- Approving investment from an agreed innovation fund.
- Reviewing sponsored projects and monitoring progress.

Services innovation

Services innovation relates to improving document intensive business processes for our customers. More and more organisations are keen to outsource document related business processes due to increasing pressures on the bottom line. Our Global Services business is based on responding to those growing customer needs. Innovation in new managed services offerings such as ‘accounts payable’ and the increasing uptake of managed print services is evidence of this. We make service improvement pervasive at all levels of our organisation:

- Our people contribute through the ‘Bright Ideas’ program.
- Our site operations contribute through benchmark delivery standards.
- Our professional services team contributes through improved value propositions to our services clients.

In 08/09 Global Services enhanced the long-standing centralised print on demand service for RMIT University with a new decentralised solution that leveraged a central print hub supported by remote print service locations.

Product innovation

Innovation shapes the market in which we operate. In the office services sector, printer, scanner and copier technologies have been increasingly merging over recent years, providing more sophisticated software applications, and creating a new market for document services. As the emphasis shifts away from technology on the print engine (‘feeds and speeds’), this drives innovation around document processing workflow (scanning, storage, retrieval etc).

One significant example is the work of the Office Innovation Group in developing Image Gateway specifically for the Australian market. Image Gateway is a component based software platform, providing improved document process functionality at the multifunction device (MFD). Designed to help businesses get full value from the MFD, its capabilities range from server based cost management, document capture, faxing and providing a two-way access point to document management systems at the MFD touch panel. Additional functionality can be developed to suit specific business needs.

‘By outsourcing its document services operations to Fuji Xerox Global Services, RMIT University has experienced substantial savings and high customer satisfaction levels. It has benefited from the introduction of more efficient printing technologies, business process improvements and the provision of end-to-end document services from design through to printing and distribution of paper and electronic documents.’

Phil Manser, Deputy Director, Strategic Sourcing & Procurement, RMIT University
Quality and continuous improvement

We also apply innovation to our own internal business processes, which support both our people and our customers. If we can build systems and develop procedures that help our own people to be effective then our customers will also benefit. Our approach is to apply ISO 9001 quality principles to our business operations, which is in line with our commitment to the philosophy of "kaizen" and our core value of continuous improvement.

Our goal in this area is to reinvigorate staff skills around ISO 9001 principles and problem solving. Our quality management system (QMS) has been ISO 9001 certified since 1992. While the organisation has benefited from the discipline of these quality standards, there is an opportunity to create greater business value from quality accreditation. We have identified that many aspects of the company’s QMS accreditation are not linked to continuous improvement thinking. Our intention is to move quality beyond compliance to an activity that encourages creative problem-solving and improved experiences for our customers.

In line with this focus, we piloted an advanced methodology developed by the parent to facilitate a more ordered approach to problem solving. However, the methodology provided was not suitable for all problems we encounter or the needs of all our people. Nonetheless, some problem-solving programs following this methodology have been successful, especially our equipment order fulfillment review (see ‘improving customer experience’ section). We will explore problem-solving methodologies available to us in 09/10 with a view to selecting and implementing an approach that works for the organisation and identifying the business processes which require attention.

In 09/10 we will complete a ‘management quality report’ covering our entire business. This will describe many aspects of our business from understanding and responding to customer needs through to customer value creation and social responsibility. The report is structured around the ‘Japan quality award’ assessment framework and, in addition to describing our business operations, we will be self-assessing our performance in order to highlight areas for improvement. One of the key objectives of this exercise is to promote management innovation and identify business processes that require improvement.

Dimensions of management quality review for completion in 09/10

Understanding and responding to customer and market needs

- Direction and driving force
  - Leadership of senior leaders
  - Social responsibility of management

- Systems operations
  - Strategy planning and deployment
  - Improving employee and organisational capabilities
  - Customer value creation processes

- Results
  - Activity results

Information management

---

*Kaizen is a Japanese philosophy that focuses on continuous improvement throughout all aspects of life.*
Since 05/06 Fuji Xerox Australia has been undertaking research into the emerging area of ‘semantics’, in particular the utilisation of ‘semantic technologies’ to link and share data within and between organisations. This research is co-funded by the Australian Commonwealth Government through an Australian Research Council (ARC) Linkage Grant, and in partnership with RMIT University and Common Ground Publishing. Pilots have been conducted inside Fuji Xerox Australia to apply semantics to content management systems and our customer care centre. The research is now nearing completion and the final reports will be published in 09/10.

“We are incredibly excited that Fuji Xerox Australia, with it’s research partners, have now been awarded a second ARC Linkage Grant, which will leverage our work over the past four years, with a particular application to sustainability reporting. More specifically this will investigate the application of a semantic approach to the management of data and metadata in the Global Reporting Initiative. The intention is to build an open source solution that may facilitate a greater transparency and effectiveness of sustainability reporting overall. This work embodies the spirit of our commitment to leadership, innovation and sustainability.”

Anni Rowland Campbell, Innovation and Research
Because we scope sustainability broadly, the board member with ultimate responsibility for our sustainability performance is the Managing Director. There is clear leadership recognition that we are accountable to stakeholders for not only business results but also our social and environmental performance. Furthermore, our senior leadership team recognise that the company’s financial success is dependent upon engaged staff, loyal customers and how well we respond to their concerns across the social, environmental and economic aspects of sustainability. We are still developing the formal mechanisms that will ensure we have heard all relevant views across all our areas of accountability. While we have well developed staff and customer engagement tools, there are some gaps. At a corporate level, the formalisation of a stakeholder engagement framework will help us address those gaps so that we can better identify our sustainability issues with our stakeholders. We will continue to hone the materiality process that ranks those issues.

The company is still embedding sustainability into the management and reporting structures of the business. Many materially significant aspects of our sustainability performance are already well addressed in those structures, such as employee engagement, customer satisfaction and environmental management. These material issues are input to a corporate sustainability management and reporting framework that collates objectives and programs for improvement across the business. While we are already committed to continuously improve our performance in those existing material areas, it is more challenging to fully understand new issues and develop an appropriate management response. Nonetheless, progress is evident in how we manage carbon emissions from our equipment delivery and in how we listen and respond to our stakeholders concerns regarding our paper suppliers’ social and environmental obligations.

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<td>Address seven areas of accountability in business planning.</td>
<td>Materiality process was refined in line with new AA1000 standard.</td>
<td>Every division was asked to address our seven areas of accountability during their annual business planning process with mixed levels of success.</td>
<td>Review stakeholder engagement framework. Formally establish appropriate objectives under each area of accountability in the ISMD business planning process in 09/10 as a pilot for other divisions to follow.</td>
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<td>Implement a sustainability champions program.</td>
<td>Launched an internal sustainability champions program, asking for nominees from every division to participate in projects that would improve aspects of social and environmental performance.</td>
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As regards embedding sustainability reporting, divisional reviews mainly address core business key performance indicators (KPIs). At a state and site level, a General Manager, who also acts as ‘Godparent’ for that state chairs monthly meetings that provide a forum for reviewing customer, environmental and safety KPIs.

In addition to embedding sustainability in management and reporting approaches, it is important that we engage staff at all levels of our business on our sustainability journey. Our goal is to ensure that our staff understand our commitment to sustainability and how their day-to-day efforts contribute to sustainable outcomes. This means we take an issue-by-issue approach to engaging staff, ranging from values awards programs to re-launching our environmental and community programs.

Fuji Xerox Australia parentage

The Fuji Xerox Group was established in the 1960s through a partnership between Rank Xerox (based in Europe) and Fuji Photo Film Holdings, to cover the Asia Pacific market for xerographic equipment and supplies. At the time Rank Xerox was co-owned by Xerox Corporation (based in the United States), which gradually increased its stake in Rank Xerox throughout the 1990s until it assumed full ownership. The Fuji Xerox Group is co-owned by Xerox Corporation (25%) and Fuji Photo Film Holdings (75%). Fuji Xerox Australia is an operating company, managed regionally through Singapore-based Fuji Xerox Asia Pacific Pty Limited with a Japanese parent Fuji Xerox Company Limited.

Governance

Fuji Xerox Australia receives operational direction from the Fuji Xerox Asia Pacific Operations (APO) based in Singapore. Strategic direction is agreed within a medium range plan, which has a four-year horizon. Operational direction for the business is agreed within an annual operating plan that is developed with APO guidelines and agreed prior to the commencement of our financial year.

Fuji Xerox Australia meeting framework

![Diagram of meeting framework](image-url)

- **Agreed operating plan**
- **Operational direction**

**Fuji Xerox International Business Group (Singapore based)**
- Monthly Executive Board meetings
  - Managing Director and General Managers of each division of the business
  - Policy development
  - Company review and results
  - Customer satisfaction feedback
  - Employee engagement feedback
  - Quality, environment, safety report
  - Community engagement review

**Monthly Divisional Meetings**
- Managing Director, General Manager and Business Managers
  - Division review and results
  - Operational policy decisions validation
  - Coordination of the supply of products and services

**Customer Satisfaction Meetings**
- Executive Board representative and cross-functional Business Managers at each site
  - Review customer satisfaction levels and issues at site level
  - Vehicle for communication of customer satisfaction matters up and in from the Executive Board meeting
## Code of Conduct

During 08/09 we enhanced our business ethics policy to provide clear guidance on a consistent Code of Conduct to which all staff must adhere. Our company Code of Conduct underpins all aspects of our business operations and is the foundation stone in our commitment to corporate citizenship. It incorporates our values, which provide the principles to guide us in our day-to-day attitudes and behaviour and provide a framework to assist in decision-making. Individual contracts articulate the terms and conditions of individual employment and company HR policies provide clear direction on topics as diverse as leave, confidentiality and discrimination. The Code of Conduct provides a supplement to these processes and establishes a minimum set of standards that all employees are required to comply with. It guides our staff through how to avoid conflicts of interest and how to respect laws relating to privacy, consumer protection and competition. The Code of Conduct is promulgated to staff through a range of mechanisms:

- The example set by our executive team and senior management.
- Employee contracts incorporate an obligation to comply.
- Access to an ethics counselling service and a whistle-blower mechanism are intended to uncover unethical or illegal incidents in breach of our Code.
- We will confirm compliance with our new Code of Conduct annually with all our staff, and will ask managers to make us aware of any breaches.

### Values – Reflect and Reconnect

Feedback from staff and management indicated that the previous seven values were not well understood or ‘embedded’ in the business. Following focus group feedback from a variety of staff groups across the company, a simplified set of four values was defined and agreed by senior management in 07/08. The most important objective, apart from aligning with business objectives, was that they should be a meaningful, easily understood set of values to which all our staff can relate. The values are promulgated to staff through a range of mechanisms:

- Divisional re-launch training material focussed on team-based development of strategies to bring the values alive (implemented 08/09).
- Alignment with the values will be measured and recorded in each employee’s PACE performance management review (09/10 plan).
- HR will revise all relevant policies and procedures to ensure appropriate links to values (09/10 plan).
- We encourage discussion about the values to ensure they come alive for individuals and teams within the company (ongoing).

### Values and Legal Compliance

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<td>Develop a new Code of Conduct to better instil values and ethics.</td>
<td>A new Code of Conduct was developed.</td>
<td>Launch Code and educate key staff on requirements.</td>
</tr>
<tr>
<td>Roll out revised values and integrate into performance management system.</td>
<td>A revised set of company values was rolled out to the business through the ‘Refresh and Reconnect’ program.</td>
<td>Establish and communicate procedure for monitoring and reporting breaches of Code.</td>
</tr>
<tr>
<td>Conduct legal compliance training regularly.</td>
<td>Values were integrated into PACE performance management system.</td>
<td>Commence a third round of legal compliance training.</td>
</tr>
<tr>
<td></td>
<td>Legal compliance training was conducted.</td>
<td>Increase and tailor legal compliance course content and re-introduce targeted face-to-face training for specific needs.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Revise all relevant HR policies and procedures to ensure appropriate links to values.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Measure alignment with values in each employee’s PACE performance management review.</td>
</tr>
</tbody>
</table>

Fuji Xerox Australia

Code of Conduct
Legal compliance

Legal compliance is fundamental to good corporate governance. An internal legal counsel maintains a watching brief and alerts appropriate management to likely business impacts from developments in the law. We ensure general legal requirements as well as trade practices, privacy and product safety requirements are met in the following ways:

- Our general legal and trade practices policies establish how compliance is to be maintained.
- We conduct self-assessment and report against checklists on legal compliance, general business process integrity and the Financial Instruments and Exchange law (JSOX). Internal auditors also review these self-assessment checklists.
- Corporate Affairs vet and approve all promotional materials and external communications against voluntary marketing standards such as the Australian Direct Marketing Association ‘Code of Practice’ and more stringent regulations such as ACCC guidelines on ‘Green Marketing and the Trade Practices Act’.
- Data security and privacy requirements are documented in employee contracts and our privacy and information security policies.
- Our product safety requirements are outlined in the Fuji Xerox C11 safety standard, which goes beyond regulatory obligations.
- Managers in the business are also expected to maintain a working knowledge of the law relevant to their area of responsibility, such as in the OHS and EMS areas.

Training in Legal Compliance

Since 05/06 our approach has been to use online third party training and testing tools to educate and help ensure adequate knowledge of key areas of law including contract law, competition law, consumer laws and privacy laws. Although we originally anticipated conducting the tests on an annual basis, the long testing period required to have all assigned participants satisfactorily complete all required tests (along with other audit and testing programs within the business) has led to an 18 month testing cycle. The overall results from the two complete rounds of testing conducted are documented in the table below.

In 09/10 we will commence a third round of testing, increase the subject matter to cover other areas, tailor course content to better reflect our business and re-introduce targeted face-to-face training for specialist and executive needs.

Numbers of staff trained in legal compliance

<table>
<thead>
<tr>
<th>Division</th>
<th>Round 1 commencing March 2006</th>
<th>Round 2 commencing February 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Services</td>
<td>129</td>
<td>169</td>
</tr>
<tr>
<td>Integrated Sales and Marketing</td>
<td>227</td>
<td>202</td>
</tr>
<tr>
<td>Customer Service</td>
<td>70</td>
<td>132</td>
</tr>
<tr>
<td>Document Supplies</td>
<td>68</td>
<td>66</td>
</tr>
<tr>
<td>Business Services (incl. Corporate Affairs)</td>
<td>27</td>
<td>37</td>
</tr>
<tr>
<td>Supply Chain</td>
<td>22</td>
<td>19</td>
</tr>
<tr>
<td>Eco-Manufacturing Centre</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>Human Resources</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>565</strong></td>
<td><strong>648</strong></td>
</tr>
</tbody>
</table>

Legal and ethical incidents and complaints

Over the course of 07/08 and 08/09 we have more closely reviewed the conduct demonstrated by our sales channels against our expected standards to ensure that the behaviour of our sales representatives is aligned with our corporate values. This process has resulted in the identification of opportunities for improvement, particularly within Sydney. In 09/10 we will use our newly revised Code of Conduct to engage in further dialogue with our sales representatives and increase their understanding of the required standards. We expect to implement changes to work procedures accordingly. Material incidents are set out below:

- We ended a relationship with one of our Sydney sales representatives due to various ethical concerns regarding their performance. A very small number of customers were adversely affected by this conduct and we have contacted each, brought the matter to their attention and offered appropriate compensation.
- Since the close of the year under review, legal proceedings remain on foot in respect of the two false equipment orders placed with us in 07/08 that were identified in last year’s Report. No customers were affected by this conduct.
- We are also currently in dispute with one of our dealers, which means further disclosure would not be appropriate. We intend to provide further information in relation to this dispute in a subsequent Report.

There were no significant ethical concerns brought to our attention by way of our external whistleblower web link during the year. The majority of concerns expressed in the average one to two communications received per month related to concerns regarding the sales engagement process and after sale service and administration. All matters were responded to within 24 hours of receipt with a resolution to most customers’ issues within three days. We have been disappointed by delays establishing a customer satisfaction web-link, which will resolve inappropriate use of the whistleblower mechanism. This will be addressed in 09/10 when we will:

- Establish and communicate procedure for monitoring and reporting breaches of the Code of Conduct.
- Formalise a register of breaches against Code.
- Review whistleblower policy.
- Improve access to and visibility of whistleblower mechanism.

1 We have restated figures previously aligned to the financial year in order to provide a more complete account in this area.
Managing and measuring the customer experience

Direction
Shift from satisfying customers to creating customer advocates. Improve systems and processes for measuring and managing the customer experience.

<table>
<thead>
<tr>
<th>08/09 objectives</th>
<th>How did we do?</th>
<th>09/10 objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieve overall office customer satisfaction index of 95% (40% very satisfied).</td>
<td>▶ Office customer surveys were not regularly conducted due to staff transition.</td>
<td>Review Customer Satisfaction Assurance System, customer satisfaction meetings and customer survey methodologies.</td>
</tr>
<tr>
<td></td>
<td>▶ Overall office customer satisfaction index declined to 90% (46% very satisfied).</td>
<td>Review office and production customer satisfaction and Net Promoter Score targets.</td>
</tr>
<tr>
<td>Monitor customer satisfaction drivers with production clients.</td>
<td>▶ Production customer surveys were not conducted due to staff transition.</td>
<td>Provide a closed-loop dialogue with customers regarding high-level survey outcomes, trends and action plans for improvement.</td>
</tr>
<tr>
<td></td>
<td>▶ Formalisation of ‘intensive care process’ for production clients.</td>
<td>Meet office services, design services, mail services and print services targets.</td>
</tr>
<tr>
<td>Meet office services, design services, mail services and print services customer satisfaction targets.</td>
<td>▶ Office services fell 2% short of 92% overall satisfaction target and exceeded by 4% our 32% ‘very satisfied’ target.</td>
<td>Implement Global Services transition and transformation initiative.</td>
</tr>
<tr>
<td></td>
<td>▶ Print and mail services exceeded both targets, while design services fell short of both its customer satisfaction targets.</td>
<td>Global Services have formalised continual service improvement and service improvement planning.</td>
</tr>
</tbody>
</table>

Managing the customer experience continues to be a primary material sustainability issue and a core company value. Due to staff transition in this area our Global Services customers were the only group regularly surveyed in 08/09. Some production customer surveys were conducted but only one quarterly survey of office customers was carried out towards the end of the year under review.

While we failed to formally measure satisfaction levels in every market segment throughout 08/09, our commitment to creating value for our customers and optimising the customer experience has not waned. This is evident from the significant progress made in addressing customer satisfaction drivers such as our equipment order fulfilment process and customer training and support. We will continue to work in a systemic way on the business systems and processes that will optimise the customer experience. 09/10 will also witness a reinvigorated focus on the management and measurement of the customer experience as new talent in this area reviews survey methodologies, underpinning technologies and communication mechanisms so that we can better listen and respond to our customers.
Fuji Xerox Australia has a number of systems and processes for measuring the customer experience:

- Customer Satisfaction Assurance System.
- Customer satisfaction meetings.
- Customer satisfaction surveys.

**Customer Satisfaction Assurance System**

The Customer Satisfaction Assurance System (CSAS) is used to register, process and if necessary escalate, customer queries, complaints and compliments. Cases are raised in CSAS through a number of channels:

- The customer care centre will create a CSAS case for customer queries, complaints and compliments they receive.
- Staff members who determine that a customer concern is not being resolved appropriately through everyday channels can also create a CSAS case.
- Dissatisfied customer issues from our surveys are entered into CSAS for resolution and response.

Our plans to establish a better technology platform for CSAS that would automate routine aspects of the system, improve the escalation process and provide an online customer interface have been delayed due to staff transition. However CSAS will be reviewed in 09/10 and recommendations made for its improvement.

**Customer satisfaction meetings**

Monthly customer satisfaction meetings are held in each state of operation and attended by a General Manager or ‘Godparent’ for that state. The Godparent champions good business process and cross-divisional communication. As role model leaders, they assist every state office to adopt a culture of continuous improvement, act as a conduit for communication from leadership level down and from state offices up and they are custodians of our core values, including ‘customer first’.

The current purpose of these meetings is to review a range of sustainability indicators, including environmental and safety performance as well as customer satisfaction metrics:

- Customer loyalty measures such as market share.
- Supply chain measures such as equipment delivery on time.
- Customer support measures such as call response times.
- CSAS resolution times.

These meetings tend to focus on the immediate resolution of individual customer issues, instead of analysing systemic trends in complaints to remedy the underlying issues. We would like to encourage a more systemic approach and explore customer issues and share information, feedback and ideas aimed at improving the customer experience. In our last Sustainability Report we indicated that applying more robust problem solving processes during these meetings would help address that. However that work has been delayed because we are still in the process of identifying an appropriate problem-solving methodology for our business (see business performance section). We plan to identify a methodology in 09/10 and will also review our approach to these monthly state meetings.

**Customer satisfaction surveys**

Fuji Xerox Australia employs several techniques for determining the level of customer satisfaction with different customer segments:

- **Office customers**
  - 90-day survey (conducted once in 08/09).

- **Production customers**
  - In previous years we conducted 90-day surveys; we now have a 90-day intensive care process (formally introduced in 08/09).
  - Annual face-to-face survey (not conducted in 08/09).

- **Global Services customers**
  - Every customer receives an end-user online survey.
  - In previous years we conducted face to face surveys with senior management within our strategic customer accounts on high-level issues. These surveys have been replaced with focused round table industry events, where we invite executives together to discuss common trends and challenges. These forums provide insight for us and provide those who attend with an opportunity forum to mix with and learn from peers.

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1 Document Supplies customer satisfaction is not measured separately but rather integrated into other surveys.
Office customer satisfaction

For office customers, a ‘90-day post-installation survey’ is conducted by telephone with a representative client sample three months after they have purchased equipment. The purpose of these surveys is to identify issues resulting from the sales approach, order processing and invoicing, equipment installation and customer training. At the end of the telephone survey, two ‘Net Promoter’ questions are asked to assess whether the customer would recommend Fuji Xerox and whether they would buy from us again. Any dissatisfied customers are also logged into the CSAS system so that we can respond to their concern directly.

Office customer satisfaction levels

In 08/09 there has been a disappointing decline in ‘overall satisfaction’ but a positive shift in responses to ‘very satisfied’. This means we failed to achieve our ‘overall satisfaction’ target but exceeded our ‘very satisfied’ target. Our analysis indicates that the reasons for this are:

- **Machine Delivery and Installation**
  As reported in 07/08, the progressive move to almost 100% of our equipment devices being networked multifunction in nature has highlighted shortcomings in both the delivery and commissioning process for new installations. A major cross-functional problem solving process was initiated in 08/09 with recommendations being pilot tested towards the end of the year under review.

  In response: The encouraging results of a pilot test have led us to progressively roll out new supply chain processes across the business. We expect to see the benefits of this reflected in survey results in 09/10.

- **Sales Process**
  The most recent survey has highlighted a slip in satisfaction with the sales process in some key market sectors. This includes higher degrees of dissatisfaction with ownership and overall management of a sales order, together with some shortcomings in the experience of some salespeople.

  In response: Steps have been taken to improve product knowledge and monitor sales gaps by way of an intensive sales coaching program across the business. A new CRM system that will be implemented in 09/10 will also offer functionality and productivity improvements to allow the sales staff to have a closer relationship with their customers.

- **Administration**
  The accuracy of billing invoices and statements along with some deficiencies in staff knowledge to solve customer issues has contributed to the overall deterioration in satisfaction in the 08/09 year. Root causal analysis indicated that initial order documentation contributed significantly to the problem.

  In response: Additional training on the importance of accurate order documentation will be conducted. Staff knowledge in relation to satisfying customer queries will be improved by new workflow tools. Reinforcement of basic complaint handling skills will also take place.

Net Promoter Score

We introduced the Net Promoter Score (NPS) as a loyalty measure in our 07/08 90-day surveys to monitor how we deliver customer experiences so that we could better build long-term loyalty and customer advocacy. This provides an important lead indicator, complimenting the lag indicators identified in other parts of the survey. In 08/09 our 90-day survey to office equipment customers identified an NPS of 27%, which is a 1% improvement on the previous year. According to Fred Reichheld of Bain & Company, the originators of the NPS, average scores range from 5-10% and best practice within a business to business environment is to operate at NPS ratings in excess of 30%. Our 09/10 NPS goal is 30%.

Production customer satisfaction

In previous years we have used 90-day post-installation customer surveys and face-to-face interviews with senior contacts to monitor our production customer experience. We are disappointed that neither of these engagement mechanisms were implemented in 08/09. However we did formally introduce an ‘intensive care process’, which is initiated by account managers after their customers have purchased large pieces of equipment. Adoption of the process is still in early stages.

The 90-day intensive care post installation review program has been designed to monitor the performance of Fuji Xerox Australia production systems and workflow solutions during the 90-day period immediately following a new installation. The process enables measurement against a set of key performance indicators weighted from 1-10 and invokes corrective action for scores below 7. Any low scores are loaded into CSAS for resolution. Good performance is critical during the first 90 days in order to ensure customer confidence in their latest investment. Our goal is to ensure the customer receives maximum support during this initial period so that effective asset utilisation can be expedited.

In 09/10 we will review the efficacy of the intensive care process and other customer survey methodologies in the production business and determine the role of these approaches in providing us the required insights moving forward.
Global Services customer satisfaction

Each year we establish targets for customer satisfaction across every line of service that we provide. Performance against these targets is a core business tool used to identify opportunities for immediate improvement. We would like to improve the rate of response to our surveys to ensure they are representative. To that end we are encouraging site-based customer service managers to take greater levels of ownership for response rates and to interpret the significance of the data for their respective operations.

Office services customer satisfaction

In 08/09 we fell 2% short of our 92% overall satisfaction index (OSI) target and we exceeded by 4% our 32% ‘very satisfied’ target. We have observed the lower ‘very satisfied’ rates in comparison to other lines of service and the slower improvements to that rate also. We find that office services satisfaction levels are affected by numerous customer touchpoints ranging from our service engineers, to help-desk and our equipment delivery providers. While our goal is to provide a seamless customer experience, the reality of coordinating a disparate range of touchpoints on large client sites creates greater complexity and challenges. Improvements in the year under review include:

- Improvements to the software that allows us to remotely monitor customer equipment.
- Deployment of ‘Operational Excellence’ blue standard to office services sites (including third party service suppliers).
- Training in equipment functionality implemented to help customers get full value from technology investment

Print production services customer satisfaction

In 08/09 we exceeded by 1% our 95% OSI target and we exceeded by 9% our 56% ‘very satisfied’ target. Improvements in the year under review include:

- Enhancements to our ‘Compass’ offering now includes an online quoting, job submission and tracking system.
- Deployment of ‘Operational Excellence’ silver standards to all sites.

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2 As reported through online surveys.
3 Change to calculation methodology for office services. Overall satisfaction of fleet performance and service delivery has been combined to give a more comprehensive view.
4 Operational Excellence is a management framework to ensure consistent policies, procedures, objectives and measures are applied across all managed service operations.
Design services customer satisfaction

In 08/09 we fell 2% short of our 95% OSI target and we fell 5% short of our 56% 'very satisfied' target. Improvements in the year under review include:

- Standardisation of performance metrics and reporting frameworks.
- Development of ‘community of practice’ to enable shared learnings of creative ideas.

Mail services customer satisfaction

In 08/09 we exceeded by 3% our 95% OSI target and we exceeded by 14% our 56% ‘very satisfied’ target. Improvements in the year under review include:

- Resource investment in specific mail service capabilities.
- Standardisation of performance metrics and reporting frameworks.
- Deployment of ‘Operational Excellence’ silver standards to all sites.

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As reported through online surveys.
**Customer Support**

**Direction**
Provide a consistently excellent and efficient customer support experience.

<table>
<thead>
<tr>
<th>08/09 objectives</th>
<th>How did we do?</th>
<th>09/10 objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease customer maintenance hours per million prints by 8% (office) and 3% (production).</td>
<td>▶ Reduction of 13.2% in office maintenance hours per million prints.</td>
<td>Decrease customer maintenance hours per million prints to 21.9 (office) and 15.7 (production).</td>
</tr>
<tr>
<td>Increase proportion of customer issues resolved without a site visit to 55.6%.</td>
<td>▶ Increase of 4% in production maintenance hours per million prints.</td>
<td>Increase proportion of customer issues resolved without a site visit to 54.7%.</td>
</tr>
</tbody>
</table>

Fuji Xerox Australia supports almost 23,000 customers through 593 dedicated customer support staff. Our goal is to provide a consistently excellent and efficient customer support experience.

**Measuring support effectiveness**

A key indicator of service effectiveness is the percentage of customer issues resolved without the need for a site visit. The more calls resolved remotely, the quicker the customer issue is fixed, the less distance travelled and carbon emitted and the more efficient the overall support delivery. Although we fell short of our aggressive target, the proportion of customer issues resolved without a site visit increased by 2% to 52.7%. There is a limit to improvement in this area as some problems require a physical part replacement. Nonetheless we expect year-on-year reductions in the percentage of on-site calls to continue, but gains will become harder to achieve. With this in mind the target for 09/10 has been scaled back to 54.7%.

**Measuring equipment reliability**

Fuji Xerox Australia measures equipment reliability by calculating the total hours of a support engineer’s time for every million prints. There has been an overall improvement in 08/09, although not in all areas of the business. In the office environment, the 8% improvement target was easily surpassed with a reduction of 13.2% in maintenance hours per million prints. With production equipment there was an increase of 4% compared with targeted decrease of 3%. Contributing factors were:

- There is a trend in the production environment towards multiple smaller, less expensive devices rather than one single large device. Smaller devices require more hours to support for the equivalent output than larger devices.
- Sales of our flagship iGen production colour printer were exceptionally strong in 08/09. This has increased the support requirement as production colour equipment requires 2-4 times the support hours of production black and white equipment.

**Percentage of customer issues resolved without a site visit**

![Percentage of customer issues resolved without a site visit](image)

**Maintenance hours per million prints**

![Maintenance hours per million prints](image)

- The increasing complexity of solutions, including software applications to manage workflows and equipment solutions for feeding and finishing, combined with higher expectations of tolerances in registration and print quality increase the demand on support.
- The combination of continuous improvements in equipment technology, engineer training, web-based support infrastructure and call management practices have resulted in continuing, substantial improvements in the reliability of office equipment. The apparent drop in reliability for production equipment is substantially a result of the demand for more from our customers, which has over-shadowed similar reliability improvements. The 09/10 targets predict an improvement in measured reliability for both office and production equipment, but because of the factors described prior this will be a challenge.
Providing customers with a responsible solution

The Fuji Xerox Group regional environmental strategy for products is based on 3 pillars:

• Curb climate change.
• Conserve natural resources.
• Reduce environmental risk.

Our response to climate change is the primary focus of this strategy, which is appropriate given our stakeholders’ concerns regarding the climate change imperative and the urgency with which that issue must be addressed. Since the close of the year under review our President Yamamoto has announced a new carbon strategy for the Fuji Xerox Group based on curbing climate change through product innovations. Targets are based on our concept of the ‘carbon balance index’ – that whatever carbon reductions we achieve inside our own operations, should be doubled outside the organisation, creating carbon reductions for our customers and society as a whole.

Helping customers become more sustainable

In Australia, we find that our customers want to work with a responsible organisation that will help them achieve their own environmental goals. Gaining Good Environment Choice Australia™ certification for our entire office product range provides assurance that the Fuji Xerox solution meets global environmental standards. Our solution can also help customers:

• Reduce carbon footprint from energy use of devices.
• Reduce e-waste to landfill.
• Source paper responsibly and use it efficiently.

The remainder of this Report section provides an account of how we address those environmental drivers with our customers.

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1 Further information on how we manage and perform across all three objectives can be found in our parent’s sustainability report. For more information, visit www.fujixerox.com/eng/company/sr/2009

2 This is a restatement of the carbon balance target disclosed in our 2008 Sustainability Report – figures indicating our performance in 08/09 were not available at the time of writing.
Energy efficient equipment

The energy efficiency of our equipment is a common customer concern, and a key element of our regional environmental strategy for products. In 08/09 our parent worked to ensure that our entire office product range is compliant with the 2009 Energy Star standard.

Energy performance

In 2005 we achieved a 55% reduction in the average energy consumption of our equipment based on 1997 levels. Our new target is to achieve a further 80% reduction on 2005 levels by 2020.

How will we achieve this target? In 08/09 Fuji Xerox made further improvements to the energy efficiency of our market-leading ApeosPort / DocuCentre office product range through the introduction of award-winning technologies. These include an energy saving controller, LED printhead technology and biomass plastic. These technologies allow for the reduction of power consumption by 73% when in use and 80% when in sleep mode when compared with conventional models. Reduced power consumption in sleep mode is especially important given the number of out-of-office hours in which devices remain connected to the grid.

Awards for energy performance

08/09 witnessed a 10th consecutive energy conservation prize for Fuji Xerox products at the 19th Energy Conservation Center Awards in Japan. This achievement reflects the company's continuous commitment to developing energy saving products across a wide range of product categories – 10 models and a total of 24 products were recognised. In addition, Fuji Xerox was awarded the prestigious Chairman’s Prize for Eco-Efficiency. This high level award recognised the achievements of the company in developing and promoting eco-efficiency, a measure of the value of products and services against their environmental impacts. Fuji Xerox is the third company to have received this award.

ENERGEX is a major electricity supplier in South East Queensland and a top 100 Australian company. Fuji Xerox Australia has supplied document management hardware and software solutions since 2004 and Global Services has provided consulting services to ENERGEX over the last five years to improve the company’s business processes. This includes helping the organisation become more cost efficient and environmentally sustainable by measuring energy usage and the carbon footprint of its document management infrastructure via the Fuji Xerox Australia carbon calculator. As a result ENERGEX has been able to increase print efficiency, reduce paper wastage and reduce the carbon footprint of multifunction printing devices by 10% in the last five years.

ENERGEX is proud to partner with a company like Fuji Xerox Australia which not only embeds sustainability within their own business, but also promotes this vision among customers to help them achieve more sustainable outcomes. Our partnership with Fuji Xerox Australia has enabled ENERGEX to change internal attitudes and behaviours in regards to sustainability. As a result we've increased productivity, taken better control of costs and reduced our environmental impact.

Sharyn Scriven, Group Manager Procurement, ENERGEX.
The Fuji Xerox and Xerox Groups have a long-standing commitment to accept responsibility for products throughout their life cycle, shared by Fuji Xerox Australia. In Asia Pacific, Fuji Xerox Company Limited has four purpose-built state of the art remanufacturing, reuse and recycling facilities to achieve over 99% resource recovery from returned products at end of life. Improving levels of component reuse is key to low-carbon manufacture, an important element of our regional environment strategy for product development.

The diagram above depicts the movement of our equipment from our parent through our Australian operations to our customers. It also illustrates how we take back products, parts and toner cartridges returned by our customers for remanufacturing and recycling either at our Zetland-based Eco-Manufacturing site in Sydney or at the Asia Pacific Integrated Recycling Centre in Thailand. The Eco-Manufacturing Centre processes used parts, packaging and waste collected from Australian customers, while end of life equipment and toner cartridges are sent to the Asia Pacific Recycling Centre.

We acknowledge the carbon footprint of such a geographically dispersed take-back model, however even local e-waste providers ultimately export and sell recyclable commodities on the international market. There are
opportunities to improve levels of remanufacture and reuse in our 'closed loop' systems so that the embodied energy in our product components is retained. Ultimately the rationale for taking our products back at end of life is not just related to responsible ‘waste’ management; remanufacturing and reusing parts allows us to reduce new resource input and to cut the carbon footprint of new product manufacture. By incorporating policies for future remanufacturing and recycling into our product design process, the Fuji Xerox Group have avoided almost 139,000 tonnes of carbon emissions and reduced the requirements for raw materials by 22,600 tonnes between 1996 and 2008.

**Eco-Manufacturing Centre**

The Fuji Xerox Australia Eco-Manufacturing Centre is the Fuji Xerox Asia Pacific hub for the remanufacture of complex sub-assemblies. It is a multi-award-winning state-of-the-art engineering facility for the remanufacture of parts removed from equipment during service.

Since it opened in 2000 the core activities of the Zetland-based Centre in Sydney have shifted to more complex remanufacture programs, reflecting its unique expertise. The more labour intensive aspects of the Centre’s operations, such as toner cartridge remanufacture, have moved to our Asia Pacific Integrated Recycling Centre in Thailand.

The Eco-Manufacturing Centre is in a period of transition. Local management is currently working with our parent to confirm a medium range strategy for the Centre. Ultimately, this could potentially increase the opportunities for our local remanufacturing expertise to influence the global approach to end of life resource recovery and share the benefits of those advances more broadly. For now, the Eco-Manufacturing Centre is in a period of transition whereby current remanufacture and recycling activity will be maintained while its future purpose is more clearly defined.

During the year under review, we remanufactured 230,000 parts and sub-assemblies through this operation, which was below our target of 280,000 items. This is due to a number of factors:

- A difficult economic period in which the volume use of our equipment was lower than forecast, thereby reducing supply and demand for remanufactured items.
- A reduction in field-stock carried by our customers.
- Increased reliability of new parts and phasing out of older remanufacture programs.

The Centre’s 09/10 goal is to remanufacture 217,000 items, reflecting changed conditions.

In 08/09 the Centre achieved a saving of $6 million versus the cost of Xerox and Fuji Xerox supplied parts. This compares with $11.3 million in 08/07 and $13 million in 06/07. The reduction was a result of decreased demand and underlying currency fluctuations, which impacts the margin on remanufacture items and affects the profitability of the Centre.

In 08/09 the Centre had a target to establish 60 new remanufacture programs including a further 15 high-end sub-assemblies for the parent. This is an important measure illustrating that innovating new remanufacture programs is core to the Centre’s viability. 56 programs resulted in 08/09, including 14 sub-assemblies. The complex nature of these remanufacture programs meant that the target was not achieved and has led to a more realistic target of 50 programs in 09/10.

**Asia Pacific Integrated Recycling Centre**

The Asia Pacific Integrated Recycling Centre based in Thailand was opened by Fuji Xerox Company Limited in 2004 to process up to 30,000 units of equipment and 500,000 toner cartridges per annum and is now operating at full capacity. The Centre achieves over 99% resource recovery from end of life products that are returned. In 08/09 the Centre employed 340 local staff, and processed 5,777 tonnes of equipment and cartridges, remanufacturing and re-exporting 283,626 cartridges.

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 are exported to specialist waste management providers where required. The facility also monitors the environmental and safety management practices of our local recycling partners in Thailand — these providers were audited in 08/09. Where required, Fuji Xerox has committed to work with those partners to further improve their environmental management.
We joined this program in early 2005 after obtaining the necessary export licenses from the Australian Government in December 2004. In 08/09, we exported 1412 tonnes of equipment, parts, cartridges and packaging to this facility for recycling or remanufacture as shown in our material utilisation trends. We have been disappointed by delays experienced with the Thai government in granting our Basel Permit. As our parent manages this relationship we have escalated this issue to them. This issue has led to an increase in the amount of local e-waste recycling in 08/09.

Optimising end of life product return

In 07/08 Fuji Xerox Australia established a cross-divisional steering committee with the purpose of optimising the business and environmental efficiency of end of life resource recovery systems in Australia. The committee identifies opportunities to reduce costs and increase environmental benefits. In 08/09 we have explored:

- More cost and carbon efficient means of transporting end of life products back to our facilities.
- Local e-waste facilities to recycle end of life products in situations where our Basel Permit to export has been delayed.
- More robust product return measurement systems.
- Isolated issues such as pallet recycling and improvements to our valet service for consumables return.

- The proportion of products that are returned to us at end of life in comparison to the total distributed to the Australian market.

Our goal is to measure the rate of total product return from our customers to our remanufacture and recycling facilities as a percentage of new products supplied to the market. In 08/09 we have made significant progress towards adjusting our systems and procedures to accommodate this. A volumetrics exercise has been conducted to identify and incorporate the weight of all product types in our systems - this means that we will know the weight of total product distributed in 09/10. Work is still required to improve procedures and measurement systems to ensure returned product is appropriately recorded. Until then we will provide trend data on the weight of returned equipment, parts and cartridges and how those materials are utilised or responsibly disposed of at our dedicated facilities or through recycling providers.

In 08/09 the total amount of end of life products gathered from our customers increased from 3474 tonnes in 07/08 to 4052 tonnes. The proportion of materials recycling in Australia has also increased relative to remanufacturing. Bureaucratic delays in the granting of our Basel Permit have led us to pursue on-shore recycling options while we work through our parent to expedite approvals with the Thai government to export these materials. The proportion by weight of local remanufacture at the Eco-Manufacturing Centre has also declined. This is due to two factors – decline in both the number and weight of parts and sub-assemblies remanufactured as we discontinue the remanufacture of older, heavier products.

Waste toner utilisation

Our Eco-Manufacturing Centre focused on the issue of waste toner during the 08/09 sustainability champion program. The goal was to turn waste toner from a liability to an asset as part of our commitment to sustainability and product stewardship. Currently waste toner is stock-piled and used as an alternate fuel source in cement production. Our staff was keen to identify a more beneficial use that would utilize the polymeric characteristics of the material. The exact make-up and calorific value of the waste toner has been identified and the material has been pelletised and sent to a number of potential customers. The project will continue in 09/10.

Material utilisation of products by weight (collected from Australian customers) through the Eco-Manufacturing Centre, the Asia Pacific Recycling Centre and recycling providers

Tonnes material utilisation

<table>
<thead>
<tr>
<th>Year</th>
<th>Parts and assembly remanufactured in Zetland</th>
<th>Equipment recycled in Thailand</th>
<th>Parts and cartridges remanufactured or recycled in Thailand</th>
<th>Materials recycled in Australia</th>
<th>Materials landfilled in Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/07</td>
<td>21%</td>
<td>6%</td>
<td>27%</td>
<td>32%</td>
<td>1%</td>
</tr>
<tr>
<td>07/08</td>
<td>26%</td>
<td>17%</td>
<td>23%</td>
<td>27%</td>
<td>1%</td>
</tr>
<tr>
<td>08/09</td>
<td>13%</td>
<td>12%</td>
<td>14%</td>
<td>58%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Zetland data includes all waste throughputs – both returned product and business waste. Estimates are used for metal recycling from smaller sites.
production equipment components and replace them with lighter office equipment components. These figures also reflect the Centre’s current period of transition while its future direction is being defined.

We continually look for improvements in processes to support our product returns policy. The Recovery Box program has become an important tool for recovering used toner cartridges and is increasingly seen by our customers as an essential service.

- A dedicated ‘valet’ service provider is responsible for the delivery and pickup in all states except QLD, which will be migrated from the existing general courier service in 09/10. This has improved service levels and led to more accurate reporting of return-items, which means we can understand and respond to customer fulfilment issues in this area more readily than before.
- In 08/09, we worked with fourteen of our largest production customers to provide tailored returns programs to fit in with their recycling initiatives.

### Advocating for extended producer responsibility

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

<table>
<thead>
<tr>
<th>Responsible paper sourcing</th>
<th>Direction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source both recycled and virgin paper from certified sources. Assess paper suppliers’ sustainability credentials and establish a path for continuous improvement. Develop resources and implement communication strategies so that we can act as a trusted advisor to clients on responsible paper sourcing.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>08/09 objectives</th>
<th>How did we do?</th>
<th>09/10 objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seek Program for the Endorsement of Forest Certification (PEFC) chain of custody certification.</td>
<td>PEFC chain of custody certification has been achieved.</td>
<td>Secure 100% paper supplier compliance with minimum standards in 09/10 and ask for improvements in the management of issues of primary stakeholder concern.</td>
</tr>
<tr>
<td>Educate stakeholders about sustainable paper.</td>
<td>An internal white paper that ‘straight-talks’ about paper’s environmental impacts has been developed and will be circulated to stakeholders as part of a broader communications strategy in 09/10.</td>
<td>Conduct internal briefings on ‘The Paper Facts’ and develop marketing resources to establish a consistent corporate position on paper and the environment.</td>
</tr>
<tr>
<td>Bring new Forest Stewardship Council (FSC) and PEFC paper stocks to market.</td>
<td>The following certified stocks were brought to market in 08/09: Performer A4 &amp; A3 (FSC Mixed Sources), Coletach+ (PEFC). Green Wrap A4 &amp; A3 (PEFC Recycled).</td>
<td>Integrate stakeholder feedback into sustainability standards and assess compliance at the close of every financial year.</td>
</tr>
<tr>
<td>Test suppliers’ compliance with sustainable paper standards.</td>
<td>7 out of 8 suppliers have submitted responses with some incomplete information provided.</td>
<td>Review paper procurement process and integrate new sustainability standards with other business requirements.</td>
</tr>
<tr>
<td>Review sustainability standards for paper sourcing and compliance assessment process.</td>
<td>More robust sustainability standards have been drafted for stakeholder review and we have strengthened our process for assessing compliance.</td>
<td></td>
</tr>
</tbody>
</table>

Fuji Xerox Australia is committed to enabling the efficient use of paper and to working only with responsible paper manufacturers and suppliers. Paper use is a tangible form of consumption and waste in the office environment more so than other less visible activities, which can sometimes have a larger footprint. Efficiency programs are often a customer focus for both cost and environmental reasons. While we acknowledge this creates some challenges for an historic business model based on encouraging customers to print, our new service lines and equipment enhancements are designed to enable efficient printing and business process improvements. This reflects that our industry and our business is growing towards providing ‘document services’, while we will continue to satisfy customer needs by providing a comprehensive, high-quality and sustainably sourced range of papers. Paper production has a range of environmental impacts, both positive and negative that are not well understood by those outside the industry. Our customers are often confused on this issue, under pressure to make sustainable procurement decisions and need help to do so. Key environmental issues of concern are fibre sourcing, water and energy use and emissions to water, land and air as well as greenhouse gas emissions.

**Australian Information Industry Association**

We have been working closely with our peers from the Australian Information Industry Association (AIIA) to establish an extended producer responsibility scheme for the computer and peripherals industry. After nearly five years of work on this project by ten industry participants a comprehensive body of knowledge has been assembled around how a national scheme might be implemented. There has been extensive consultation between our representatives at the AIIA and the federal Department of Environment, Water, Heritage and Resources and the NSW Department of Environment and Climate Change regarding the development of national waste policy and a product stewardship scheme for e-waste. We have facilitated closer relationships between the AIIA, Environment Victoria, the Boomerang Alliance, Choice and the Total Environment Centre. This led to a formal compact between the Total Environment Centre and the AIIA, calling on the government to establish an effective e-waste regulatory regime.

**Business Imaging Association of Australia**

We are also working with the Business Imaging Association of Australia (BIIA), an association representing business document solution providers, to establish a code of environmental practice for the industry. This will drive improvement in product stewardship practices by the industry. Work has progressed in 08/09 and we look forward to its publication in 09/10.
and recycled content of paper. Suppliers may attempt to focus on one attribute or another where they may have an advantage over a competitor, however it is important to consider these claims from the perspective of total environmental performance. The paper industry has improved its environmental performance across the range of indicators described above. Although that cannot be consistently said of every producer, we work with only those producers that meet our standards in each of those areas.

The Fuji Xerox Australia goal is to source all papers from sustainably managed plantation trees or recycled pulp and to transparently communicate paper’s environmental impacts to our stakeholders. Our position is to act as a trusted advisor to our customers on this topic and enable them to source paper responsibly and use it efficiently. That means our efforts in 08/09 have focused on sustainable paper sourcing and creating a consistent corporate position on paper and the environment.

**Bringing certified paper stock to market**

Fuji Xerox Australia has helped develop the market for certified papers by working with our suppliers to eliminate price premium for these products and actively promoting the benefits of certified papers to our customers.

**Assessment of compliance with standards**

Following feedback from the assurance of our last sustainability report, we have reviewed our standards for sustainable paper sourcing and our compliance assessment process. Since the close of the year under review a draft of our new sustainability standards has been circulated to our suppliers and industry experts from non-government organisations. Feedback will be consolidated and a final version published in 09/10. If areas of non-compliance are found, our approach is to work with progressive suppliers to ensure standards are met. However if adequate progress is not made in a specified timeframe the supplier relationship will cease. Improvements to our standards include:

- Evaluation against a broader range of environmental, social and governance issues.
- Standards designed to ensure minimum standards are met, whilst providing a path for continuous improvement.

<table>
<thead>
<tr>
<th>Product name</th>
<th>Size</th>
<th>GSM</th>
<th>Certification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycled papers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GreenWrap® 60% Recycled Content</td>
<td>A4, A3</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>Recycled Supreme Range (White, 5 Tints) 100% Recycled Post Consumer Content</td>
<td>A4, A3</td>
<td>80</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Certified papers (in alphabetical order)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business™</td>
</tr>
<tr>
<td>Colotech+™</td>
</tr>
<tr>
<td>Colotech+™ Gloss Coated</td>
</tr>
<tr>
<td>Colotech+™ Silk Coated</td>
</tr>
<tr>
<td>Colotech+™ Supergloss</td>
</tr>
<tr>
<td>Colotech+™ Digital Coated Gloss &amp; Silk</td>
</tr>
<tr>
<td>iGen Cover Gloss &amp; Matt</td>
</tr>
<tr>
<td>Professional™</td>
</tr>
<tr>
<td>Quickpack</td>
</tr>
<tr>
<td>Symphony™ Pastel/Mid/Dark Tints</td>
</tr>
<tr>
<td>Performer+™ FSC Certified</td>
</tr>
<tr>
<td>Performer+™</td>
</tr>
</tbody>
</table>

\( ▲ \) Fuji Xerox Australia recycled and certified paper stocks, FSC No. SGS-COC-003514, PEFC No. SGS-PEFC/COC-0837

\( ▲ \) 08/09 paper sales by weight
- Strengthened framework for assessing compliance by asking for third party evidence and working with non-government organisations to identify and escalate issues of stakeholder concern with specific suppliers.

Since the close of the year under review we have asked our suppliers to respond to our revised standards. 7 out of 8 have responded with some incomplete information provided. We will follow up so that we more fully assess compliance with our draft sustainability standards. We have already identified some issues in the progress one supplier is making towards FSC Controlled Wood certification and will raise these issues with them and monitor the situation closely.

Once stakeholder review is complete the standards will be finalised and integrated with our overall paper procurement process, also subject for review in 09/10. This will further streamline how we assess compliance and ensure that only paper that meets our standards is sourced.

Educating stakeholders

The Fuji Xerox Australia goal is to develop resources and implement communication strategies so that we can be a trusted advisor to clients on responsible paper sourcing. A consistent corporate position on paper and the environment was documented in a ‘straight-talking’ internal white paper in 08/09. External expertise was sought to ensure a fully balanced perspective on paper’s positive and negative environmental impacts.

This position paper will form the basis of an internal and external communication campaign called ‘The Paper Facts’ due for roll-out in 09/10. Sales briefings have already commenced to ensure our people can relay key messages in a consistent way to our customers.

The purpose of the Paper Facts campaign is to ensure our staff understand this complex area and that our customers have access to objective information about the basic issues surrounding paper and the environment. It comprises a miro-site with an option to download a white paper and a summary brochure. It also lists where we source our paper from and provides access to our standards for paper sourcing and a forum for us to communicate with stakeholders on specific issues of concern.

* The paper life cycle

![The Paper Facts](image_url)

**The Paper Facts**

**Helping you make the right choices**

The Paper Facts is designed to help you get across some fundamentals of paper and the environment:

- Fuji Xerox sustainability commitment.
- Paper life cycle.
- Certification systems.
- Environmental impacts.
- Responsible procurement frameworks.

For more information, go to www.thepaperfacts.com.au

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**The paper life cycle**

1. **Extraction of Materials**
   - Trees are harvested and cut into logs.
   - Logs are transported.
   - Wood is chipped and de-barked.

2. **Processing Materials**
   - Fibre from wood chips are cooked and processed.
   - Water paper materials are pulped and de-inked.
   - Now, recycled or mixed paper pulp is produced.

3. **Making Paper**
   - After cooking is complete, pulp is bleached and cleaned.
   - Then water is extracted. Paper is produced by rolling and heating the joined fibres.

4. **Packaging**
   - The paper is wound into giant rolls. It is then cut up into different sizes and packaged.

5. **Transport**
   - Waxed paper products are transported to distribution centres and delivered to end-users.

6. **Usage**
   - Paper has many end uses, including digital printing, copying and high speed commercial printing.

7. **End of Life**
   - In Australia over half of paper used is recycled, the rest becomes ‘carboard’ in books and flowers to livestock.
Fuji Xerox Australia is committed to improving employee engagement levels so that we can strengthen our employment brand and better attract and retain talented staff driven to achieve our business objectives.

**Engagement levels**

In February 2009 we conducted our second employee engagement survey with a significantly improved participation rate of 68% compared to that of the previous year (55%). The key measures from the survey indicated that 59% of employees are fully engaged with 25% nearly engaged. This compares positively with the previous survey (49% fully engaged and 25% nearly engaged). We are very satisfied with this result in the context of a challenging business environment and the deferral of the annual salary review process until September 2009 for our non-unionised employees. Our next survey will be conducted in March 2010 with a 5% improvement target in 09/10.

**Engagement drivers**

Similar to last year, the survey findings indicated the key areas on which we need to focus in order to improve engagement levels are:

- **Brand alignment**: ensure we live up to the promises we make to our people.
- **Career opportunities**: provide a clear framework of how to progress in the organisation and define what success looks like.
- **Change management**: improve the way we implement changes in the organisation.
- **Communication**: improve the mechanisms and approach we take to keeping our people informed.

We will conduct employee focus groups in 09/10 to review findings from the recent survey. This will cover all divisions and involve a wide cross section of employees. These focus groups will assist us in validating findings and understanding the key areas that we need to address in order to continue to improve our engagement levels. Once the focus groups are concluded, we will prepare an action plan to address the key issues that arise.

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1 While our 08/09 target was expressed as a 5% improvement in every division, we actually report performance against that target at the corporate level.
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. Developing capability means enhancing employee effectiveness in their current role and improving their readiness for their next role. We believe that building the capability of our employees to address their responsibilities and accountabilities at Fuji Xerox Australia will contribute to their career development by enabling greater levels of success in their employment with us and with future employers. We also endeavour to provide employees with the flexibility to move between divisions and encourage our people to take on different roles when they are ready for a new challenge.

Response to findings

Since our first survey in 07/08 we have undertaken several specific actions designed to improve engagement levels, some of which will continue this year:

- In 08/09 a customised management training program designed to help managers build engagement and drive performance was successfully piloted - this program will continue to be implemented in 09/10.
- In 08/09 we improved leadership communications by simplifying the biannual presentations to all staff and tailoring messages to different office locations.
- In 08/09 we simplified remuneration packaging so that staff can better understand package elements and total remuneration.
- Review of position descriptions to ensure a clearer and transparent understanding of expectations began in 08/09 and will continue in 09/10.
- Implementation of a new performance management system to allow greater transparency around performance was completed in 08/09.
- The refreshed values model was rolled out in 08/09 with a greater focus on actually living our values in the business.

Manager-led development

The move to a culture of manager led development is ongoing with continued programs to build manager capability to fulfil this role. Our 08/09 achievements and 09/10 commitments include:

- Level 1 certification of all sales managers in the Integrated Sales and Marketing Division ‘sales manager as coach’ program. Level 2 of this program will be rolled out in 09/10.
- Ongoing work on strategically aligned capability definition for all positions in Global Services.
- The Integrated Sales and Marketing and Human Resources Divisions will work together to assess capability levels and define on-the-job development initiatives in 09/10.
- Completion of the first full performance year utilising the new on-line performance management system (PACE) with a focus on quality of business objectives.
- Development of the coaching for capability development program developed in 08/09 so that is available to all line managers in 09/10.

Average hours of training per employee split by gender

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. Developing capability means enhancing employee effectiveness in their current role and improving their readiness for their next role. We believe that building the capability of our employees to address their responsibilities and accountabilities at Fuji Xerox Australia will contribute to their career development by enabling greater levels of success in their employment with us and with future employers. We also endeavour to provide employees with the flexibility to move between divisions and encourage our people to take on different roles when they are ready for a new challenge.

Training

Whilst formal training has a role to play in the development of organisation capability, our philosophy is to maximise the effectiveness of the training we undertake through on-the-job coaching by line managers. We aim to enable people to experience their day-to-day work as a series of opportunities to develop role specific capability, which has reduced the emphasis we place on external training. 41% of the permanent workforce participated in off the job training in 08/09. This year we formally trained 17% of female employees and 77% of male employees, with most training delivered to staff in technical services or sales roles.

2 Figures may under-report external training because HR no longer administers this - it has been devolved to line managers.
Staffing levels
We employed a total of 1,846 people at the close of the year under review. Our growth in numbers is mainly associated with hiring employees to fulfil customer contract obligations as our Global Services business grows. The following charts show the make-up of our workforce based on employment category, gender and region.

During the reporting period, 329 permanent employees left employment, resulting in an increased turnover rate of 18.6%, which is above the Australian Information Industry Association industry average of 17.6% for the same period. Towards the end of the year under review, changes in the economic environment led to declining business activity, a decrease
in voluntary employee turnover and an increase in redundancies. We are very mindful of the impact turnover has on the retention of skills and knowledge critical to the business.

The economic environment has seen an immediate decrease in recruitment activity and associated costs. We have implemented a limited recruitment policy, whereby all new hires require Managing Director approval on a case-by-case basis. We continue to analyse why people leave our employment. Our analysis shows that the greatest area of attrition comes from the under 25-age group. The principal reason given for leaving in this group is career and personal reasons. This higher turnover in the under 25-age group is reflected in part in the turnover in the first year of service. Changes have been made to the onboarding process for new employees to reduce turnover in this group. The increased attrition rate in the over 65-age group appears high but is a product of retirements from a small population.

When the economic cycle corrects, the competition for talent is likely to resume. We believe the retention of key talent now is crucial as an investment for when employment market pressures return in the future. Our work to improve employee engagement levels is key to staff retention, as is the relationship between employees and line managers, which is a key focus of our new management training.
### Attrition rates by state relative to the average attrition rate

- **NSW**: 15%, 11%, 14%
- **VIC**: 16%, 15%, 13%
- **WA**: 23%, 18%, 15%
- **QLD**: 26%, 21%, 18%
- **ACT**: 18%, 17%, 13%
- **SA**: 7%, 7%, 13%

#### Attrition rates by service relative to the average attrition rate (19%)

- **0-1yrs**: 30%, 30%, 30%
- **1-2yrs**: 30%, 24%, 20%
- **2-5yrs**: 20%, 20%, 13%
- **5-10yrs**: 13%, 10%, 10%
- **Over 10yrs**: 5%, 7%, 7%

### Reasons for termination

#### Voluntary Terminations

- **Career and Salary**: 36%, 37%, 32%
- **Domestic and Personal**: 20%, 16%, 10%
- **Personal Relocation**: 9%, 6%, 6%
- **Various other**: 10%, 15%, 20%

#### Involuntary Terminations

- **Termination**: 13%, 15%, 13%
- **Redundancy**: 8%, 7%, 4%
- **Various other**: 4%, 4%, 3%
Remuneration, reward and recognition

Remuneration

Competitive remuneration provides us with access to suitable talent so we aim to offer salary packages that are in line with the market. The year under review provided us with an unusual challenge. Due to the economic environment and cost pressures experienced by the business we deferred the annual remuneration review for salaried and professional employees usually undertaken in April. In September 2009 we will re-assess the timing of the next remuneration review. We are planning to review the economic environment, our business performance, and the current market trends and will undertake the appropriate steps at that stage. We continue to simplify our approach to remuneration so it is easier for our employees to understand the components of their remuneration. In 08/09 we explored why men and women in the same employment positions held different salaries. We found that the salary differences could not be narrowed down to one specific factor but were due to a combination of factors including tenure, qualifications, experience, specific job function and location.

<table>
<thead>
<tr>
<th>Workplace profile</th>
<th>% Positions held</th>
<th>$ Average salary*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Senior Executives</td>
<td>12 %</td>
<td>88 %</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>15 %</td>
<td>85 %</td>
</tr>
<tr>
<td>Managers</td>
<td>21 %</td>
<td>79 %</td>
</tr>
<tr>
<td>Admin</td>
<td>84 %</td>
<td>16 %</td>
</tr>
<tr>
<td>Sales</td>
<td>30 %</td>
<td>70 %</td>
</tr>
<tr>
<td>Customer Service</td>
<td>8 %</td>
<td>92 %</td>
</tr>
<tr>
<td>Skilled Professionals</td>
<td>31 %</td>
<td>69 %</td>
</tr>
<tr>
<td>Distribution/ Manufacture</td>
<td>15 %</td>
<td>85 %</td>
</tr>
<tr>
<td>Customer Operations</td>
<td>37 %</td>
<td>63 %</td>
</tr>
<tr>
<td>Total</td>
<td>28 %</td>
<td>72 %</td>
</tr>
</tbody>
</table>

* Average salary for women not disclosed as we employ only 1 senior female executive.

* Reflects total remuneration package excluding superannuation.
Non-financial recognition

We have 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. This provides a clearer view of the trends in compliments received through the Customer Satisfaction Assurance System – our primary system for recording compliments and complaints. From the analysis of these compliments and commendations, formal recognition is given through Managing Director awards and national, state and local awards. We are pleased by the increase in number of compliments given, a result of management encouraging the use of the system. Out of the 1,369 compliments received by employees during 08/09, 40 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 from longstanding members of staff. In 08/09 the Fuji Xerox International Business Group (IBG) President’s Club and Award program recognised Scott Allen and Maria Nordstrom for their sustained record of outstanding sales achievements and role model selling behaviours and Michael Wilson for his sustained record of outstanding general business contribution.

Benefits

Permanent (both full time and part time) employees are entitled to a range of benefits. The following table indicates the number of employees who availed themselves of each benefit during the reporting period.

<table>
<thead>
<tr>
<th>Staff benefit</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company superannuation with life and disability insurance</td>
<td>1,465</td>
</tr>
<tr>
<td>6 weeks paid maternity leave</td>
<td>27</td>
</tr>
<tr>
<td>Paid paternity leave of up to one week within sick leave entitlement</td>
<td>44</td>
</tr>
<tr>
<td>Novated leasing for motor vehicles</td>
<td>130</td>
</tr>
<tr>
<td>Healthy heart checks</td>
<td>690</td>
</tr>
<tr>
<td>Flu vaccinations</td>
<td>518</td>
</tr>
<tr>
<td>Employee Assistance Program</td>
<td>65 employees and 9 family members</td>
</tr>
<tr>
<td>Employee Referral Scheme</td>
<td>38</td>
</tr>
<tr>
<td>Controlled access to the internet for personal use&lt;sup&gt;5&lt;/sup&gt;</td>
<td>most employees</td>
</tr>
</tbody>
</table>

<sup>5</sup> Temporary staff have access to this benefit only.
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. Our OHS management framework includes a range of policies, procedures, staff training and an incident reporting system. These resources and other materials, such as our OHS policy, are accessible by all employees on the company’s intranet site. A network of OHS coordinators provides onsite support and key sites have an OHS committee. Reported incidents and injuries are analysed during site management and ‘tool-box’ meetings, OHS committee meetings with regular reviews conducted at least quarterly during Executive Board meetings.

**OHS performance**

We encourage the reporting of all incidents, injuries or near misses regardless of their severity. While we improved our management of workers compensation claims by appointing an external provider, some issues with their injury reporting have been identified. Reports have been received late and incomplete. We have also found that the initial scope agreed with the provider did not fully address our needs. In 09/10 we will improve our reporting capabilities through a robust reporting process and data capture system. Once this has been completed we will be in a better position to report lost-time injuries and establish a lost-time injury frequency rate.

This year we had an increase in numbers of claims made from workplace injuries. The increase was mainly associated with manual handling injuries suffered by our warehouse staff and our service engineers on customer-site. It could also be explained by more effective communication of the process for reporting incidents and injuries and making claims, which has increased the number of OHS events put through our formal processes.

Aside from claims, we also measure the nature of incidents and injuries experienced by our staff. Since the introduction of an out-sourced ‘injury management program’ we have a better understanding of the nature of incidents and injuries being reported. Of the 141 occurrences reported since 1 October 2008, 72% resulted in a work-related injury and the remaining 28% were incident reports only where no injury resulted (incident reports also include any personal/non work related reports). Of the 101 injury reports received:

- The predominant regions injured were the upper limbs (36%), trunk/ back (25%) and lower limbs (25%).
- The most common reasons for injury were body stressing (39%) and falls, trips and slips (25%).
- The most frequent natures of injury were musculoskeletal injuries (39%) and musculoskeletal conditions (30%).

As with our claims, the main areas of concern are injuries related to manual handling activities such as back injuries, and muscular stress while lifting. In 09/10 we plan to conduct refresher awareness courses on manual handling techniques and forklift safety for all warehouse staff. We will also review the reasons for incidents and injuries with our service engineers working on customer-site and plan an appropriate response in 09/10.

<table>
<thead>
<tr>
<th>Number of worker compensation claims made by employees</th>
<th>05/06</th>
<th>06/07</th>
<th>07/08</th>
<th>08/09</th>
</tr>
</thead>
<tbody>
<tr>
<td># Claims</td>
<td>59</td>
<td>73</td>
<td>56</td>
<td>84</td>
</tr>
</tbody>
</table>
Influencing sustainability outcomes

Engaging business partners in sustainability

Direction
- Work through the Xerox and Fuji Xerox Groups to assure integrity of our product supply chain. (see respective sustainability reports online)
- Assess paper suppliers’ sustainability credentials and establish a path for continuous improvement (see ‘providing customers with a responsible solution’ section).
- Work with key suppliers to provide low-carbon products and services (see ‘minimising our environmental impact’ section).
- Ensure environmental, social and governance standards are applied to procurement.
- Share sustainability standards with our indirect sales network.

<table>
<thead>
<tr>
<th>08/09 objectives</th>
<th>How did we do?</th>
<th>09/10 objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop sustainable supply chain approach in procurement.</td>
<td>A National Procurement Manager was appointed.</td>
<td>Build a supplier database to monitor supplier performance metrics, including those focused on environmental, social and governance issues.</td>
</tr>
<tr>
<td></td>
<td>A sustainability code for suppliers was developed and has been progressively added to tender documents.</td>
<td>Revise procurement policy and processes and integrate how we apply sustainability to the supply chain.</td>
</tr>
<tr>
<td>Launch dealer sustainability program.</td>
<td>25 out of a potential 39 dealer locations signed up to the first year of our sustainability program – 4 dealers failed to submit reports and were removed from the program.</td>
<td>Develop a risk assessment framework to identify ‘high risk’ suppliers that require specific environmental, social and governance metrics for improvement.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase rigour of sustainability standards for dealers in 09/10 and build capability to improve performance.</td>
</tr>
</tbody>
</table>

Responsible procurement

The Fuji Xerox Australia approach to sustainable supply chain management is informed by the principles of the UN Global Compact, to which our parent is a signatory. Our goal is to share our sustainability standards with our suppliers and work with them to improve environmental, social and governance outcomes. Our overall ‘spend’ can be broken into the following categories:

- Payments to permanent employees and government.
- The inter-company purchase of equipment, parts and materials for service.
- The purchase of paper and document supplies from international and local suppliers.
- International and inter-state equipment transport / delivery.
- Service engineer motor vehicle fleet.
- Facilities costs associated with the maintenance and operation of our business sites.
- Other purchases include office supplies, telecommunications, consulting, marketing, recruitment and training costs.
- Staff travel.

While we rely on the Xerox and Fuji Xerox Groups to assure integrity of our product supply chain, we are responsible for developing, applying and monitoring sustainability standards with our paper suppliers (see ‘providing customers with a responsible solution’ section). We have also shared our sustainability standards with our fleet provider and we apply the Green Star methodology to site relocations and renovations. In addition, many of our general office supplies have been defaulted to an environmentally responsible range. The following chart depicts our procurement activity by these categories and indicates with an asterisk where we have begun to apply environmental standards.
Dealers

In addition to our direct sales force, Fuji Xerox Australia has 28 dealers and 23 master agencies across Australia. Together they deliver 44% of our equipment sales revenue. Our agents 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.

We see our dealers as a significant extension of our presence in non-metropolitan areas, especially rural Australia. It is important that we share Fuji Xerox standards with this group and that covers ethical and legal principles for how we conduct business, customer service standards as well as environmental responsibility.

In the year under review we developed and launched a dealer sustainability program to support those goals. 25 out of a potential 39 dealer locations signed up to the first year of our sustainability program – 4 dealerships failed to submit reports and were removed from the program.

This program is designed to provide a framework for our dealers to continuously improve environmental performance, especially the responsible disposal of end-of-life equipment, parts and cartridges and to promote their achievements with their customers. We have provided support to our dealer network by sharing environmental management tools with them and making them aware of the resources available to them through Fuji Xerox, local council and recycling providers. One challenge we face is the environmental and financial efficiency of transporting dealer equipment from remote sites to our recycling facilities – this has led to the consolidation of dealer delivery services in 08/09. In 09/10 we will increase the requirements of the program and provide further support to help dealers improve environmental performance.

As winners of the inaugural dealer sustainability program in 08/09, the team at Fuji Xerox Business Centre Bateman’s Bay is committed to applying sustainability with staff, customers and suppliers. A number of key improvements were made in 08/09 including:

- Improving the efficiency of 70% of showroom lighting.
- Encouraging staff to print internal documents double sided.
- Offering Fuji Xerox Green Wrap paper in the copy centre at no additional cost.
- Reusing shredded paper and cardboard for packaging and transportation needs.
- Consulting with strata management on ways to reduce water consumption for the shared occupancy building.

**Winners of the dealer sustainability program**

“The key to the sustainability challenge ahead lies with our ability as a company to influence the sustainability outcomes for our customers, both environmentally and financially. This is where our ‘Fuji Xerox Smart Digital Office’ initiative comes in, which aims to help our customers streamline their document management processes. This not only allows our customers to reduce their carbon footprint but also save money, a winning proposition and one which we believe gives Fuji Xerox an edge over the competition. It is only by engaging our customers in this journey that we can truly reach our sustainability goals.”

Bill Hirzinger, Dealer Principal,
Fuji Xerox Business Centre, Batemans Bay, NSW.

* indicates aspects of procurement that are currently managed for sustainability.
Fuji Xerox Australia is committed to making a positive social contribution. 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.

The goal of our community programs is to enable staff participation and create positive outcomes for the communities in which we operate by helping the disadvantaged. 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. Our key current initiatives include our long-standing relationship with United Way, our recent engagement with the Australian Business and Community Network and the Fuji Xerox Community Service Awards. There is also a broad range of state-based activities that originate at a grass-roots level.

In 08/09 we reflected on how we could best connect our vision, mission and values with our community initiatives and saw many parallels with the theme of education. We believe that by focusing on this one area of community need, we will address social sustainability issues in a more systemic and impacting way and help build local communities with adept people that can contribute to the growth of our business and society as a whole. 08/09 has witnessed significant reinvigoration of our community programs. A community engagement committee was established under the leadership of our General Manager for Global Services, community champions have been appointed representing every location and we have new targets for our performance in this area.

United Way

Fuji Xerox Australia’s relationship with United Way goes back more than 20 years. United Way manages our WorkPlace Giving scheme and works with us to organise volunteering opportunities for staff. In 08/09 we worked more closely with United Way to establish a partnership agreement and reinvigorate our community initiatives. Activities involved:

- Confirmation of Premier Partner status.
- Conducted 4 Corporate Connects, involving 67 staff volunteering over 400 hours of time.
- Provided $68,976 in matched donations to United Way charities.
- Developed United eWay – a WorkPlace Giving portal to make it easier for staff to manage their donations.

In 09/10 we plan to:

- Increase staff access to community volunteering within company time by conducting ten Corporate Connects and ten ‘Seeing is Believing’ events.
- Support United Way ‘Week of Caring’ and Christmas Giving Appeal.
- Achieve a 14% participation in WorkPlace Giving.

The decline in WorkPlace Giving is a result of longer serving staff who participated in Giving, leaving our employment over the last four years. There will be more active promotion of WorkPlace Giving to current and new employees in 09/10 to boost our below average participation rates.

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1 These figures have been restated for all years - previously the matched amount was not included.
Australian Business and Community Network

In 06/07, Fuji Xerox Australia entered into a partnership with the Australian Business and Community Network (ABCN). This initiative brings together major companies to support schools operating in under-privileged areas. Our offices in NSW, VIC, WA and ACT are partnered with local schools and participated in the following activities in 08/09:

• Partners in Learning – leadership exchange (NSW, WA, VIC).
• GOALS – year 9 mentoring program (ACT, NSW, VIC).
• SPARK – primary school reading assistance (ACT).
• Career Choice Day (ACT).
• ‘100 Faces, 100 Stories’ book (WA).
• POP – additional activity organised by us with partner schools (VIC).

This amounted to 44 staff volunteering 569 hours of company time. In 09/10 our goal is to expand ABCN activity in every state of operation.

We have already provided pro bono support in Queensland by hosting an ABCN representative in our offices.

Community Service Awards

We encourage the engagement of our staff with the community in which they live and work. Underpinning this commitment is our 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 Committee, a cross-functional team within Fuji Xerox Australia. In the year under review, we donated $50,000 to 21 charities supported by our employees, with individual grants ranging from $1,000 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. In 09/10 we will expand the scope of these financial awards to include access to up to 5 days of paid volunteer leave.

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. Various contacts have occurred with environment-oriented agencies on the question of sustainable procurement and in connection with the various extended producer responsibility initiatives with which we are involved:

• We have used informal contact with Senator Ursula Stephens and Senator Nic Sherry to advance government adoption of sustainable procurement policy and practices.
• There has been extensive consultation between our representatives at the AIIA and DEWHR and DECC regarding the development of national waste policy and a product stewardship scheme for e-waste. We have facilitated closer relationships between the AIIA, Environment Victoria, the Boomerang Alliance, Choice and the Total Environment Centre. This led to a formal compact between the Total Environment Centre and the AIIA, calling on the government to establish an effective e-waste regulatory regime (see ‘providing customers with a responsible solution’ section).

We received an overwhelming response from our staff for the Red Cross Victorian Bush Fire Appeal Fund. With an estimated death toll of 153 people and more than 2000 homes destroyed, this is the greatest natural disaster Australia has ever witnessed. Our staff presented a $60,000 cheque to Red Cross (of which over $28,000 was staff contribution, matched by the company and an additional $3,000 was raised by our Document Supplies Division).
Minimising our environmental impact

Our parent company environmental strategy has three fundamental pillars:

- Climate change mitigation.
- Conservation of natural resources.
- Reduction of environmental risk from chemical substances.

Fuji Xerox Australia receives direction from the Corporate Social Responsibility (CSR) division of Fuji Xerox Company Limited on a small number of specific issues that fall out of this strategy. We agree carbon and waste reduction targets with the CSR division each year, and we report on our environmental performance biannually. The CSR division is also an important source of information and guidance on regional matters, such as design for the environment initiatives and our UN Global Compact obligations. In 08/09 our parent conducted its first CSR survey canvassing all operating companies’ performance on a range of sustainability issues, not limited to environment. This survey will be conducted annually and opens the way for our parent to become more involved in how we manage a broader range of sustainability issues.
Our commitment to sustainability extends well beyond complying with our parent’s directives and is a key brand value in the Australian market. Fuji Xerox Australia manages its own environmental sustainability performance through the Corporate Affairs division, which includes a National Environment and Sustainability Manager, a National Environmental Systems Manager and a network of regional Environment Co-ordinators. We are committed to reducing the environmental impact of our own activities and helping our customers and business partners to do the same. Our environmental policy, which makes implicit reference to the precautionary principle, reflects this commitment and can be downloaded at www.fujixerox.com.au/environment.

There is an Environmental Management System (EMS) in place at 19 of our 20 sites, 17 of which are ISO 14001 certified. We took the decision to delay certification of our three new sites until after completion of the current triennial audit cycle in 09/10. There are strategies in place to certify these 3 sites:

- In 08/09 2 of these sites implemented an EMS.
- The third will undergo initial environment review in 09/10.
- All 3 will be certified in 10/11.

**Environmental performance**

Our environmental targets are informed by our policy, by assessing our impacts and with guidance from our parent company. This year we have replaced our revenue-based carbon and paper targets with absolute targets for year on year reductions of 1%. This simplified approach makes it easier to devolve targets to sites and monitor performance. This year we exceeded the 1% carbon reduction target set by our parent, mainly through our commitment to purchase Green Power™. We had targeted 50% Green Power but only achieved 36%. Our ambitious target of 100% Green Power by 10/11 will be reviewed in 09/10. We also failed to reduce our waste in line with an aggressive zero landfill target set by our parent. While we are committed to work towards zero landfill we acknowledge the challenges we will have in actually meeting that target in future years. We are pleased that we met our 1% reduction in internal paper use target and we also substantially reduced our total water use by 37%.

We have been disappointed by one regulatory breach in 08/09. The cargo risk management unit of the Department of Agriculture, Fisheries and Forestry brought to our attention an incorrect packing declaration in relation to wooden pallets that had bark attached, although they had been described otherwise. This was in contravention of Australian Quarantine and Inspection Services requirements. We were advised that increased monitoring of our shipments would take place in the short term, and in response we instructed our overseas parent to comply with Australian regulations. We expect complete conformance will be maintained moving forward. No other complaints were received from regulatory authorities.

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**Carbon management**

<table>
<thead>
<tr>
<th>08/09 objectives</th>
<th>How did we do?</th>
<th>09/10 objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce carbon emissions 1% on 07/08 levels.</td>
<td>▶ 19% reduction in carbon emissions.</td>
<td>Reduce overall carbon emissions by 1% on 08/09 levels.</td>
</tr>
<tr>
<td>Procure 50% Green Power.</td>
<td>▶ 36% Green Power procured.</td>
<td>Reduce carbon emissions from logistics 10% on 08/09 levels.</td>
</tr>
<tr>
<td>Develop a carbon strategy.</td>
<td>▶ A carbon strategy was formalised focusing on operations, suppliers and customers.</td>
<td>Reduce carbon emissions from employee air travel by 10% on 08/09 levels.</td>
</tr>
<tr>
<td>Establish cross-divisional carbon task force.</td>
<td>▶ A cross-divisional carbon taskforce was established and is working on opportunities for cost and carbon reduction in business operations.</td>
<td>Review Green Power procurement.</td>
</tr>
<tr>
<td>Improve carbon management and measurement through the logistics supply chain.</td>
<td>▶ A sustainability champion for logistics was appointed and is working on carbon measurement from logistics and opportunities for cost and carbon reduction in equipment distribution.</td>
<td>Implement more robust carbon data capture systems with logistics suppliers.</td>
</tr>
</tbody>
</table>
Carbon strategy

The climate change imperative demands that organisations assess their carbon footprint, establish targets for reduction, implement robust carbon management programs and disclose emissions. Although our footprint does not fall within the threshold of the National GreenHouse Energy Reporting Scheme, we are committed to reduce our carbon emissions.

Fuji Xerox Company Limited reports the carbon emissions from every operating company, (including emissions from regional manufacturing and distribution) in their Sustainability Report. Fuji Xerox Australia has managed its carbon footprint since 2005 and formalised a carbon strategy in 08/09. Our strategy is focused on reducing the carbon intensity of our business operations and working with suppliers and customers to do the same. We implement this strategy through:

- A cross-divisional taskforce focused on lighting, IT equipment and employee air travel.
- A sustainability champion appointed to work with our ‘high-carbon’ suppliers (logistics has been identified).
- Providing a ‘low-carbon’ solution to our customers (see ‘providing customers with a responsible solution’ section).

Restatement of 06/07 and 07/08 data to include estimation of carbon emissions from head office data centre (based on average monthly usage in 09/10); 08/09 data includes one new business processing centre – data is not yet available for the second new data centre; fugitive emissions data from one HVAC cooling tower is not yet available but will be included in our next report; Electricity calculations include 2508 tonnes carbon avoided through Green Power purchase.

Scope 1 and 2 only, excludes scope 3 emissions associated with transport logistics and air travel.
Carbon measurement

We are still working to correctly establish our baseline. In 08/09 we have brought within our carbon measurement scope the energy use of our new spares warehouse and one of our two new business-processing centres. We will receive environmental data for the second centre in 09/10 at which point we will estimate and back-date environmental data for both centres to August 2007, when they officially came under our legal ownership. We use the Green House Gas Protocol to classify emissions and define our operational boundaries. We also use the calculation methodology and emission factors from the Department of Climate Change, apart from our employee air travel emissions, which have been calculated by our air travel provider.

Managing emissions from business operations

Reducing energy use remains a key challenge. The growth of our business process outsourcing solutions means that the number and energy consumption of data centres will increase – we will monitor energy efficiency developments in this area to ensure our footprint is minimised. Because we lease all but one of our 20 sites our strategies to reduce energy consumption are largely associated with IT efficiency measures and building facilities upgrades. We manage carbon emissions from business operations through a cross-divisional task-force including EMS, facilities and IT staff. Current initiatives include:

- Virtualisation and blade server consolidation at our data centres (ongoing).
- Automatic PC hibernation (implemented in 07/08) and out-of-hours shut-down (implemented in 08/09).
- Implementation of e-meeting software and restrictions on employee air travel (implemented in 08/09).
- Removing redundant office equipment and fridges and placing all equipment in use on default energy efficient settings (ongoing).
- Air conditioning and lighting review and optimisation (ongoing).

We have committed to purchase certified Green Power™ for all our sites by 10/11, through 25% annual increments. Although we have steadily increased the proportion of Green Power we use year-on-year we have been disappointed by our failure to meet targets. This has been due to protracted billing / administration issues with our electricity suppliers, competing business priorities and rising cost pressures. We will renegotiate our company-wide energy contract in 09/10 and review our Green Power commitment with regard to recognition for voluntary measures in the proposed federal Carbon Pollution Reduction Scheme.

Managing emissions from logistics suppliers

In 08/09 we appointed a sustainability champion for our Supply Chain division, with responsibility for managing and measuring emissions from the international and inter-state distribution and reverse logistics of our products. We have not made the progress we had hoped for in carbon measurement with logistics suppliers, however significant progress has been made in other areas. In the year under review:

- We assessed the logistics carbon footprint.
- We addressed gaps in international inbound data.
- We reviewed carbon conversion factors and formulae used to calculate footprint.
- We implemented modal shift from air to sea freight for 460 tonnes of product.
- Shifted from overseas to local suppliers where possible.
- We identified further opportunities for cost and carbon reduction. There are high levels of commitment to cost and carbon reduction in the Supply Chain division. 09/10 projects will include:
  - Addressing excess packaging with suppliers.
  - Improving efficiency of routing for equipment deliveries.
  - Implementing local transport reporting tool to improve billing and carbon reporting.
  - Trialing delivery system for customer orders.
  - Investigating modal shift from road to rail for interstate replenishment and reduced frequency.
  - Investigating modal shift from road to rail for reverse logistics.
  - Creating accurate and robust carbon reporting tool.
  - Working with suppliers to improve data supplied.

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>06/07</th>
<th>07/08 &amp; 08/09</th>
<th>09/10</th>
<th>10/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/07</td>
<td>Target 25%</td>
<td>11.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07/08</td>
<td>Target 50%</td>
<td>22.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08/09</td>
<td>Target 75%</td>
<td>36.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Target 100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

▲ Achievement against Green Power™ target
Becoming a fully recycling oriented company means that Fuji Xerox Group has a zero waste to landfill objective, including our manufacturing and business operations. 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. Our parent has requested that we work towards zero landfill by 10/11 – we see this as a significant challenge.

Measuring waste from business operations

This year we have addressed recommendations from the assurance of our 2008 Sustainability Report and separated the measurement and reporting of business and customer waste. While it is likely a small amount of customer waste is measured as business waste and vice versa, implementing an improved EMS accounting system in 09/10 will make this separation a more accurate and streamlined process. This separation of business and customer waste has led to the restatement of our waste to landfill performance and indicates that the proportion of business waste to landfill has been increasing for the last 3 years. It also gives us greater clarity of the challenges faced by our business operations in achieving zero landfill.

We still have some challenges in measuring waste at shared occupancy sites, which we currently measure only as an estimate. National waste management was tendered in 08/09 and a provider has been identified that can address our waste measurement requirements. However their appointment has been delayed due to the number of office relocations and refurbishments undertaken in 08/09. A national waste provider will be appointed in 09/10 and their servicing of our sites gradually phased-in.

Managing waste from business operations

Our total waste figures have continued to increase and the import of non-recyclable pallets with products from overseas continues to magnify our waste to landfill figures. However we have made a breakthrough with one significant paper supplier. Their replacement of pallets with slip-sheets in 09/10 will greatly reduce our total waste and landfill figures. Our work with a recycling provider to remedy the ‘end-of-pipe’ issue has been less successful and we have experienced delays identifying the origin of non-recyclable pallets with other suppliers. Since the close of the year under review our procurement managers have formally requested our suppliers to use an alternative pallet type that can be more easily recycled.

An important aspect of environmental management at Zetland and Mascot is the avoidance of any emissions or spills from waste or liquid. Systems and procedures are in place to ensure the controlled management and disposal of wastewater and hazardous materials in a responsible manner. There have been neither significant incidents nor spills in the year under review.

### Waste management

<table>
<thead>
<tr>
<th>Direction</th>
<th>08/09 objectives</th>
<th>09/10 objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work towards zero waste to landfill from our manufacturing and business operations. Identify problem waste streams and develop strategies to address.</td>
<td>Reduce waste to landfill.</td>
<td>Reduce waste to landfill.</td>
</tr>
<tr>
<td>How did we do?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce waste to landfill.</td>
<td>Waste sent to landfill increased from 34% to 45%.</td>
<td>Reduce waste to landfill.</td>
</tr>
<tr>
<td></td>
<td>We continued work on the issue of non-recyclable pallets but have not implemented a solution yet.</td>
<td>Appoint a new national waste management provider.</td>
</tr>
<tr>
<td>Appoint new waste management provider.</td>
<td>National waste management tendered, a winner was identified but not appointed.</td>
<td>Implement a solution for non-recyclable pallets imported with product suppliers.</td>
</tr>
</tbody>
</table>

### Waste management Direction

08/09 objectives

- Reduce waste to landfill.
- Appoint new waste management provider.

09/10 objectives

- Reduce waste to landfill.
- Appoint a new national waste management provider.
- Implement a solution for non-recyclable pallets imported with product suppliers.

### How did we do?

- Waste sent to landfill increased from 34% to 45%.
- We continued work on the issue of non-recyclable pallets but have not implemented a solution yet.
- National waste management tendered, a winner was identified but not appointed.

### 08/09 objectives

- Reduce waste to landfill.
- Appoint new waste management provider.

### 09/10 objectives

- Reduce waste to landfill.
- Appoint a new national waste management provider.
- Implement a solution for non-recyclable pallets imported with product suppliers.

### Achievement against zero landfill target

<table>
<thead>
<tr>
<th>04/05</th>
<th>05/06</th>
<th>06/07</th>
<th>07/08</th>
<th>08/09</th>
</tr>
</thead>
<tbody>
<tr>
<td>53</td>
<td>39</td>
<td>29</td>
<td>34</td>
<td>65</td>
</tr>
</tbody>
</table>

▲ Achievement against zero landfill target

3 Table includes data gathered from waste providers and estimates for shared occupancy sites; contaminated waste includes a hazardous waste component. Waste data for two sites is not yet available.
In 07/08 we became aware that some waste providers were not recycling pallets, this means that pallet recycling figures prior to that may be over-stated.
We aim to increase efficient water use at all of our sites. We achieve this by installing water efficient features in our kitchens and toilets whenever a building refurbishment is planned and by ensuring water leaks are promptly repaired. Our decrease in water use can be explained by a major leak being fixed at our Zetland operations. Because our Zetland and Mascot sites have high levels of water usage we target those facilities to develop specific strategies to reduce usage. The installation of rain-water tanks at both these sites has been shelved due to increasing cost pressures and poor business case.

We aim to reduce paper used for internal business purposes at all our sites. We achieve this by implementing double-sided as default and through internal education campaigns. We also ask all staff to use Green Wrap™, our 60% recycled Australian paper stock. This year we have made further improvements to how we measure paper use, creating further transparency and leading us to restate our paper use figures.
Fuji Xerox Printers (FXP) is a branch of Fuji Xerox Asia Pacific Pte Ltd and distributes colour and monochrome printers and multifunction devices across the Asia Pacific region. FXP currently employs 85 people within Australia, having experienced rapid growth since inception in 2003. FXP sold almost 30,000 printers in Australia during 08/09 and continues to be recognised in the industry as the fastest growing printer company in the region.

08/09 witnessed an increase in consumer demand for sustainable products, services and technologies. FXP is committed to meeting responsible procurement requirements by offering an innovative product range, by fostering a culture within the company of sustainable business practice, and by working with our partners to reduce the broader carbon footprint of our organisation.

An example of innovative and sustainable product technology is the continued development and sale of solid ink printers. This technology minimizes the use of consumables dramatically and eliminates print cartridges altogether, reducing the amount of consumables waste generated by 90% over the life of the product. Fewer consumables translate into lower operating costs, increased reliability and ease of use, and of course, conservation of resources.

We are an ISO140001 accredited company and have actively worked to reduce our greenhouse gas emissions throughout the year. We have reduced carbon emissions by 24% on 2003 levels. We have recycled 87% of waste output in 08/09, and planted more than 2,000 trees in the local community to support regeneration of native environments.

FXP has contributed to the World Vision program throughout the year, with corporate sponsorship of children from Vietnam, Thailand, Haiti, Zambia and Nicaragua. Many staff communicate regularly with these children, and their progress is followed closely as the children grow and develop under the program. We also fund raise for organisations such as the Australian Cancer Council, the National Breast Cancer Foundation and the Children’s Medical Research Institute.

We aim to continuously improve our environmental programs to respond to sustainability challenges. We have developed policies and procedures that mandate FXP to operate in a way that minimizes our environmental footprint, with the eventual goal of reaching net-neutral impact. We will maintain our focus on reducing electricity and fuel consumption, promoting recycled paper use and engineering a modal shift in our supply chain towards sea freight wherever possible. Additional focus will be given to toner and packaging recycling in 09/10.

We believe that long-term business growth is underscored by a commitment to sustainability. Although our environmental performance and community engagement activities are a source of pride, we are also aware that continuous improvement is required to maintain our standing as a good corporate citizen. We will continue to strive for this improvement over the coming year.

Peter Diprose
Environment Manager
Fuji Xerox Printers
June, 2009
Independent Assurance statement

To Fuji Xerox Australia’s stakeholders,

Banarra Sustainability Assurance and Advice (Banarra) was commissioned by Fuji Xerox Australia (FXA) to assure its Sustainability Report 2009 (the Report) against the AA1000 Assurance Standard (AA1000AS) 2008. Banarra was also commissioned to validate the Report against the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. This is Banarra’s fourth reporting cycle with FXA, so we have built on our previous understanding of the organisation and its progress.

Assurance scope

A high level of assurance was provided. The assurance scope is a Type 1 engagement under AA1000AS (2008). As a Type 1 engagement, the scope covers the nature and extent to which FXA adheres to AA1000APS (2008) principles of Inclusivity, Materiality and Responsiveness and how it communicates this adherence in the Report. The assurance scope includes the print and web content of the Report. It does not include verification of any performance information or data in the Report. It also excludes assurance of any information from Fuji Xerox Group, Fuji Xerox Thailand and Fuji Xerox Printers.

Banarra Assurance Methodology

Our methodology included:

- Interviews with: a) six of the Executive Board, including Andy Lambert and Nick Kugenthrian, concerning sustainability performance, governance and strategy; b) 25 FXA staff at corporate, divisional and site levels concerning sustainability performance, strategy, policies for material issues, and implementation of responses; and c) eight external stakeholders concerning sustainability.
- Review of FXA information including sustainability and divisional strategies, Executive Board minutes, materiality and stakeholder engagement documentation and records as well as sustainability program management systems, documentation and records.
- Visits to FXA’s headquarters in North Ryde, NSW and two FXA sites: the National Supply and Training Centre in Alexandria, NSW and the EcoManufacturing Centre in Zetland, NSW.

- An independent check of FXA’s material issues and stakeholder views on these issues, including analysis of peer reports, media articles on FXA in FY09, FXA’s own documentation and engagement records and issues identified from Banarra’s interviews.
- A review of the Report to check consistency with the GRI application level requirements of B+ and that it is consistent with the nature and extent of FXA’s adherence to the AA1000 AccountAbility Principles.

Findings and Recommendations

Inclusivity - has FXA a stakeholder participation process?

FXA has a stakeholder participation process that includes a stakeholder engagement framework, regular engagement with identified stakeholder groups and stakeholder involvement in some areas of sustainability performance decision-making. Whilst FXA engages with all its identified stakeholder groups, the views of two stakeholder groups, customers and suppliers, are not systematically captured and reviewed in a way that allows for an accountable and strategic response.

Banarra identified that members of FXA’s executive and management have good understanding of sustainability and stakeholder engagement, including an informal commitment to be accountable to its stakeholders. However, FXA would benefit from development of a formal commitment in this area.

Materiality – has FXA identified its most important sustainability issues?

FXA has a materiality process that identifies its most important sustainability issues. All of the material issues that FXA identified using this process are included in the Report. In addition, Banarra’s independent materiality review did not identify any further material issues or issues of high stakeholder interest for inclusion in the Report.

Whilst FXA’s materiality process is comprehensive and includes consideration of stakeholder views regarding each of the identified issues, it does not include a method to identify emerging issues. As such, it is recommended that such a method is developed.
Responsiveness – has FXA responded to these issues?

FXA has developed planning processes to respond to its material issues. FXA divisions are requested to include planned responses to material issues relevant to their business area in their mid range planning process. In the reporting year all bar two divisions included some level of sustainability response in their plan although it was observed that the quality and completeness of this varies between divisions.

FXA has implemented programs and systems that respond to all of its material issues. Banarra’s review found that most of these responses were comprehensive and appropriate. In particular we found that FXA has made significant and impressive progress in the responses to several material issues, including the multi-stakeholder development of the paper procurement standard, improvements to the community program and implementation of the logistics carbon footprint project.

However, we identified two material issues where we believe FXA’s response should be improved:

- We do not believe that FXA has a complete and balanced response to OHS. In particular, we are disappointed that FXA has not tracked or reported a lost time injuries frequency rate or other injury data. In addition, FXA did not provide a comprehensive reason as to why it did not meet its objectives to undertake an OHS risk assessment or to do further manual handling training, despite an increase in workers compensation claims relating to this injury type. This area requires significant management attention and resources, as recommended in previous assurance findings in 2006, 2007 and 2008.

- Whilst FXA has a process to respond to customer complaints, we did not identify a mechanism for escalation and strategic response to systemic customer complaints. Instead issues are responded to on an ad hoc basis. We recommend that FXA review its customer satisfaction program to include a formal process to escalate and provide a strategic and appropriately resourced response to managing these types of complaints.

We are pleased that FXA has made further progress on development of objectives for non-environmental material issues. We recommend that FXA take this further and develop an objective relating to the material issue of assisting customers with their sustainability. We believe FXA has adequate resources to meet most of the commitments articulated in the Report.

However, we do not believe that FXA has adequate resources to meet its zero waste to landfill target by 2011 or its 100% GreenPower target by 2011. We are pleased that the organisation has committed to reviewing these objectives.

We believe FXA has appropriately communicated the nature and extent of its adherence to the AA1000APS (2008) Principles in the Report.

Global Reporting Initiative

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

Responsibilities & Independence

FXA was responsible for preparation of all the Report content. In addition, FXA was responsible for stakeholder identification and engagement as well as material issue identification and response. Banarra’s responsibility was to provide an independent assurance opinion of the Report using AA1000AS. This opinion is provided to FXA Management and any reliance third parties may place on this statement is entirely at their own risk.

Banarra has provided FXA a management report containing more details on the findings and recommendations outlined in this statement.

Banarra was paid by FXA to conduct this assignment. Other than this payment, the assurance team declares itself independent in relation to FXA 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
Principal Environmental Auditor, IEMA
Banarra Sustainability Assurance and Advice
Sydney, Australia
27 July 2009

Banarra Sustainability Assurance and Advice

Richard Boele
Certified Lead Sustainability Assurance Practitioner IRCA No. 1188527

Rebecca Edwards
Principal Environmental Auditor, IEMA
Banarra Sustainability Assurance and Advice
Sydney, Australia
27 July 2009
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¹ Full disclosure is provided unless otherwise stated ² These aspects of governance are controlled by our parent company ³ This is a material indicator for us; however, our internal systems do not currently allow full disclosure. ⁴ This is a material indicator for us; however, our internal systems do not currently allow full disclosure.