

Canon Europe Ltd. – UN Global Compact (UNGC) Communication on Progress 2018

Statement from the President & CEO

At Canon, we operate according to the philosophy of Kyosei - a Japanese word that means 'living and working together for the common good'. This philosophy shapes everything we do as a business and underpins our vision for Sustainability in Europe, Middle East and Africa (EMEA), which is to 'grow the positive power of our imaging technology and services'.

We passionately believe in the benefits that Canon, its people, products and services can bring to our customers and wider society. Ensuring we continue to deliver these benefits is critical to our vision. Information on the progress we are making can be found on our [Sustainability webpages](#).

Canon Europe Ltd. became a signatory to the UNGC in 2014. Subsequently, we have continued to deliver our Sustainability strategy in line with the Ten Principles underpinning the UNGC in the areas of human rights, labour, environment and anti-corruption. This is our fourth Communication on Progress, summarising the actions the company has taken to implement these Principles.



Yuichi Ishizuka

President & CEO, Canon Europe Ltd.



About Canon Europe Ltd.

Canon Europe is the EMEA strategic headquarters of Canon Inc., a global provider of imaging technologies and services. Canon Europe has operations in roughly 120 countries, with approximately 18,000 employees and contributes to around a quarter of Canon's global revenues annually.

Founded in 1937, Canon's continuous desire to innovate has kept it at the forefront of imaging excellence throughout its 80-year history and will form the foundation for its future investments into growth opportunities. From cameras to commercial printers, and business consultancy to healthcare technologies, Canon enriches lives and businesses through imaging innovation.

| Principle | Canon Europe Communication on Progress |
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| HUMAN RIGHTS | |
| 1. Business should support and respect the protection of | Assessment, Policy and Goals |

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| <p>internationally proclaimed human rights.</p> | <p>Canon's corporate philosophy of Kyosei, which means 'living and working together for the common good', is integral to our business and underpins our EMEA Sustainability vision which is to 'grow the positive power of imaging technology and services'.</p> <p>The Canon Group CSR Basic Statement, launched in 2017, specifies that Canon respects and complies with international initiatives such as the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.</p> <p>The Canon Group Code of Conduct, established in 2001, includes human rights criteria such as prevention of harassment and discrimination.</p> <p>Implementation and measurements</p> <p>New Canon employees attend induction training to introduce key Canon policies to them including the Canon Group code of conduct.</p> <p>Canon Europe has grievance mechanisms, including a Whistle Blower Policy, in place for employees to raise their concerns on any issue, including human rights risks or violations. The Whistle Blower Policy sets out the process for individuals working for Canon Europe, which includes permanent and temporary workers as well as contractors, to raise their concerns. We ensure that there is protection and non-retaliation in place for employees who have made disclosures.</p> |
| <p>2. Business should make sure that they are not complicit in human rights abuses.</p> | <p>Assessment, Policy and Goals</p> <p>In 2013, Canon Europe introduced a Supplier Code of Conduct. We expect our suppliers to operate according to this Code and follow the principles contained</p> |

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| | <p>within the International Bill of Human Rights, the Covenants of the International Labour Organisation ("ILO") and other relevant international treaties and covenants.</p> <p>In 2018, Canon established the Canon Supplier CSR Guidelines in order to clarify the social responsibility standards suppliers must adhere to.</p> <p>Implementation and measurements</p> <p>The Supplier Code of Conduct applies to all of Canon Europe's suppliers and is embedded in our General Purchase Terms and Conditions and our procurement contracts. Requests for proposals for the delivery of goods and services that may be particularly vulnerable to human rights risks e.g. modern slavery, require supplier self-declarations of compliance.</p> <p>See further details on Canon Europe's approach to the elimination of forced labour and child labour under Principle 4 and 5 below.</p> |
| <p style="text-align: center;">LABOUR</p> | |
| <p>3. Business should uphold the freedom of association and the right to collective bargaining.</p> | <p>Assessment, Policy and Goals</p> <p>The Canon Group promotes dialogue between employees and management in accordance with the laws and regulations of each region as specified in the Canon Group CSR Basic Statement. Canon Europe respects basic workers' rights including freedom of association, from work councils to trade unions. Canon's employees have the right to collective bargaining and the right to engage in labour disputes.</p> <p>Implementation and measurements</p> |

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| | <p>In addition to local works councils, in 2014 Canon Europe established a European Works Council covering all Canon Europa NV operations in the EU, the EEA and Switzerland.</p> |
| <p>4. Business should uphold the elimination of all forms of forced and compulsory labour.</p> <p>5. Business should uphold the effective abolition of child labour.</p> | <p>Assessment, Policy and Goals</p> <p>Canon Europe prohibits child labour and forced labour including human trafficking throughout its operations and supply chain in line with the Canon Group CSR Basic Statement launched in 2017. See further details under Principle 1. To date, no Canon Group company has violated laws relating to child labour nor forced labour.</p> <p>In 2013 Canon Europe introduced a Supplier Code of Conduct which is embedded in our General Purchase Terms and Conditions and our procurement contracts. We expect all of our suppliers to operate according to this Code and follow the principles contained within the International Bill of Human Rights, the Covenants of the International Labour Organisation ("ILO") and other relevant international treaties and covenants, including on child labour, forced labour and human trafficking.</p> <p>Implementation and measurements</p> <p>Canon Europe provides classroom training to relevant employees to ensure an adequate level of understanding of particular human rights risks, e.g. modern slavery and our due diligence strategy, to prevent its occurrence in operations and procurement of products and services.</p> <p>Canon Europe takes allegations of modern slavery and human trafficking very seriously. In 2016 we launched a supplier assessment programme and since 2017 we have published an annual Modern Slavery Statement. Requests for proposals for the delivery of goods and services that may be particularly</p> |

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| | <p>vulnerable to human rights risks, e.g. modern slavery, require supplier self-declarations of compliance. Canon Europe has assessed suppliers representing 65% of its spend on warehousing and distribution, 75% of its spend on paper mills, and we have completed our assessment of real estate and facility management service suppliers. So far, the supplier assessment has not revealed any practices among regional suppliers that are non-compliant with our policies. Our objective is to finalise this supplier assessment programme by 2020.</p> <p>Canon Europe subsidiaries are working together with Canon Inc. business partners and industry entities to address the conflict minerals issue. Canon Inc. is a member of the Conflict Free Sourcing Initiative (CFSI). Canon has held briefing sessions for relevant domestic and overseas partners since 2012 and launched conflict minerals inspections of its products since 2013. No specific parts or materials have been found to have contributed to funding armed groups in conflict regions as defined by U.S. legislation.</p> |
| <p>6. Business should uphold the elimination of discrimination in respect of employment and occupation.</p> | <p>Assessment, Policy and Goals</p> <p>The executives and employees of the Canon Group must respect each other as individuals and must not discriminate against others for reasons of race, religion, nationality, gender, age, or any other improper classifications, as laid down in the Canon Group Code of Conduct (clause III, 5).</p> <p>Implementation and measurements</p> <p>Canon Europe aims to achieve a balanced representation of females in roles at each level and is committed to incorporating younger-generational thinking into key decision-making groups. An assessment of workforce demographics at Canon Europe headquarters (April 2017) shows that 34% are female and 66% are male. In senior management roles our workforce demographics are 10% female and 90% male.</p> |

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| | <p>Canon Europe has grievance mechanisms, including a Whistle Blower Policy, in place for employees to raise their concerns on any issue including discrimination. The Whistle Blower Policy sets out the process for individuals working for Canon Europe, which includes permanent and temporary workers as well as contractors, to raise their concerns. We ensure that there is protection and non-retaliation in place for employees who have made disclosures.</p> |
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| ENVIRONMENT | |
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| <p>7. Business should support a precautionary approach to environmental challenges</p> <p>8. Business should undertake initiatives to promote greater environmental responsibility.</p> <p>9. Business should encourage the development and diffusion of environmentally friendly technologies.</p> | <p>Assessment, Policy and Goals</p> <p>We take responsibility for the impact our activities have on the environment, with policies, strategies and systems in place to manage environmental impacts across our operations. The Canon EMEA Environment Charter outlines the policies we adhere to in order to grow our business while reducing the carbon footprint of our operations. It also states that we actively pursue pollution prevention and continuously focus on resource conservation.</p> <p>The Canon Group CSR Basic Statement emphasises our responsible approach towards managing environmental impact.</p> <p>The Canon Group Code of Conduct, which all Canon employees must adhere to, also includes a section on the preservation of the environment (clause II, 1).</p> <p>When sourcing services and materials, Canon Europe sets out environmental requirements to suppliers through our General Purchase Terms and Conditions and Supplier Code of Conduct, which all suppliers must adhere to. These include the Canon Group Green Procurement standards that apply to all parts, materials and accessories acquired from third party manufacturers for use in Canon products.</p> <p>Implementation and measurements</p> <p>Canon EMEA operates an ISO 14001 certified environmental management system across its operations, which is part of the overall Canon Group environmental management system.</p> |

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| | <p>We have set targets to reduce the environmental impact of our operations, including a 15% reduction in carbon emissions by 2020 (vs 2010) against net sales. We achieve this target by reducing the emissions generated by travel, improving the efficiency of product distribution and our offices, and sourcing renewable electricity. Canon EMEA operates a car policy that specifies an emissions limit for all of its lease cars.</p> |
| | <p>The Canon Group globally focuses on reducing the environmental impact of its products and services. It seeks to optimise product design to reduce energy use in consumption and new material use and increase product-to-product recycling, with the aim of contributing to the development of a circular economy.</p> <p>Canon Europe cooperates with Canon's manufacturing operations in Europe to return products for remanufacturing and recycling, for example:</p> <ul style="list-style-type: none"> • Our award-winning laser cartridge recycling programme which has been operating globally since 1990, has ensured the collection and recycling of more than 394,000 tonnes of cartridges and saved more than 576,000 tonnes of CO2 emissions. • In addition, we also look to remanufacture hardware where possible and make new products from used hardware. Canon's EQ80 range is a great example of this, as is the Océ-branded Colorwave 650. <p>Canon Europe sales organisations across the EMEA region have joined industry schemes to finance and facilitate responsible recycling of end-of-life products.</p> <p>Canon Europe is a major supplier of printing substrates including printing paper in the EMEA region. Canon Europe is committed to fully eliminating deforestation from its Canon branded office paper supply chain and promoting</p> |

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| | responsible forestry and production practices that benefit people, communities and the planet. About 75% of the Canon branded paper sold in 2017 was certified against relevant international sustainability labels and certifications including FSC, PEFC or recycled grades. |
| ANTI-CORRUPTION | |
| 10. Business should work against corruption in all forms, including extortion and bribery. | <p>Assessment, Policy and Goals</p> <p>The Canon Group Code of Conduct, established in 2001, includes principles and rules to avoid of conflicts of interests, as well as to prohibit seeking, accepting or offering improper gifts, entertainment, or other benefits.</p> <p>The Canon Group CSR Basic Statement launched in 2017 specifies that Canon respects and complies with international initiatives, such as the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.</p> <p>It specifically defines responsibilities that the Canon Group must fulfil, including on conducting fair and honest business activities, practicing fair and free competition, ensuring transparency in business transactions and preventing corruption in all its forms including bribery. Canon operates a zero-tolerance policy on bribery and corruption.</p> <p>Canon Europe has established an Anti-Corruption & Anti-Bribery policy and an Entertainment & Gift policy providing rules on appropriate business conduct.</p> |

In 2013, Canon Europe introduced a Supplier Code of Conduct, embedded in our [General Purchase Terms and Conditions](#) and our procurement contracts, that prohibits bribery and corruption. We expect all of our suppliers to operate according to this Code. We apply a similar approach in our partner contracts. Canon takes a zero-tolerance position on bribery and corruption towards suppliers and partners.

Implementation and measurements

All Canon employees across Europe, Middle East and Africa receive mandatory training on our Anti-Corruption & Anti-Bribery and an Entertainment & Gift policy. An online resource centre has been created to provide additional information and practical guidance to employees.

Canon Europe has grievance mechanisms, including a Whistle Blower Policy, in place for employees to raise their concerns on any issue, including corruption and bribery. The Whistle Blower Policy sets out the process for individuals working for Canon Europe, which includes permanent and temporary workers as well as contractors, to raise their concerns. We ensure that there is protection and non-retaliation in place for employees who have made disclosures.