

Basic approach

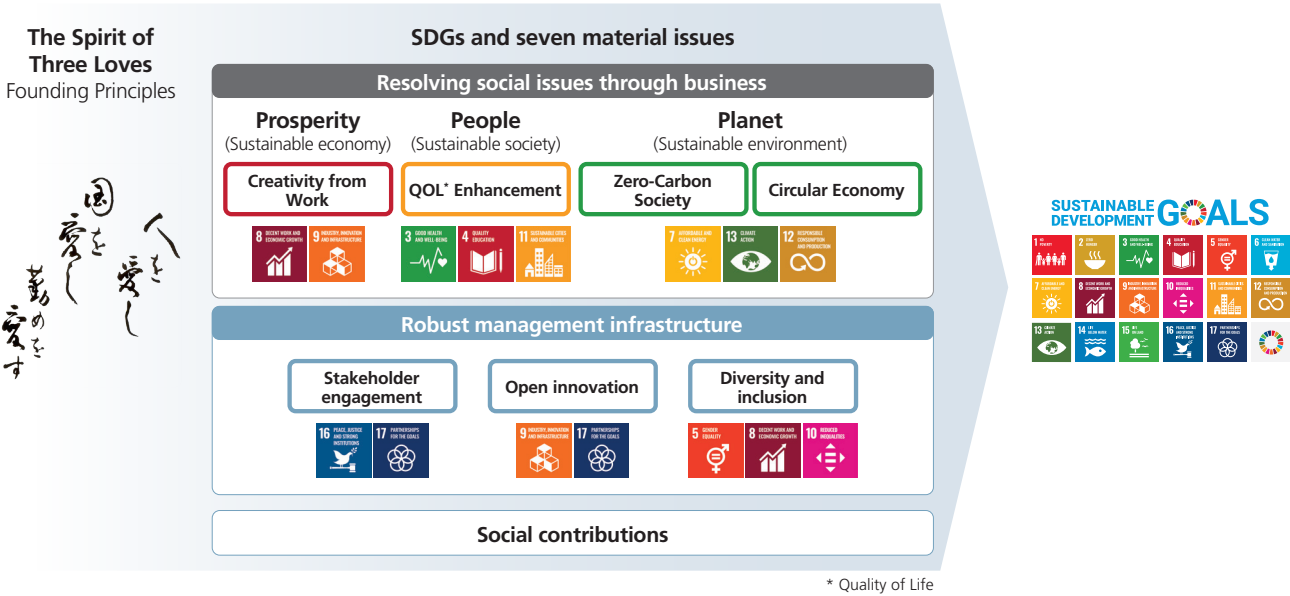
Leveraging the power of business to materialize sustainable society

We are undertaking a range of initiatives in keeping with our sustainability message, which is **Driving Sustainability for Our Future**. The message conveys our determination to create new value to resolve social issues and help materialize a sustainable society through business.

The Ricoh Group pursues such sustainability through a Three Ps Balance—Prosperity (economic activities), People (society), and Planet (environment). We accordingly endeavor to resolve social issues through business, reinforce our operational underpinnings, and contribute to society, and will help to reach Sustainable Development Goals (SDGs)* agreed to by the international community.

* Sustainable Development Goals
This set of universal priorities and goals through 2030 under an accord with the United Nations comprises 17 goals and 169 targets.

Overall sustainability initiatives



Integrating ESG into management strategy

● Setting management goals that bring finance and ESG together

We position ESG initiatives as future financial targets to help avoid risks and capitalize on business opportunities. From fiscal 2020, we set dual companywide management targets. These are regular financial goals and ESG targets set from future financial perspectives.

● Materiality (key social issues) and ESG targets

In view of trends in the international community, stakeholder expectations, and operational importance, we identified four material issues for resolving social issues through business and another three that relate to robust management infrastructure. We formulated 17 ESG targets associated with these seven material issues, disclosing the results of efforts in those regards.

Materiality identification and ESG goal formulation process

STEP 1 Identifying issues

While assessing the mid-term management plan, we evaluated the social impacts of our businesses across the entire value chain. We identified social issues to resolve through business and scrutinized business models toward 2030.

STEP 2 Prioritizing issues

We selected SDGs that Ricoh Group should focus on based on stakeholder feedback regarding the above issues and our business model. The Corporate Planning and ESG divisions jointly explored the first materiality proposal aligned with our management philosophy, business strategies, and environmental management initiatives and developed a rough draft that reflected advice from external experts.

STEP 3 Management decision

The Group Management Committee and the Board of Directors reviewed the draft, determined priority material issues and formulated ESG targets.

STEP 4 Alignment with business unit and Group headquarters strategies

We broke down companywide ESG targets for each business unit and the Group headquarters plans in order to align these goals with business strategies more closely.

● ESG Committee

The ESG Committee aims to respond promptly and appropriately to the expectations and needs of stakeholders by continuously discussing environmental, social, and governance issues faced by the Ricoh Group at a management-level and leading the discussions to the quality enhancement of the entire Group.

The committee is chaired by the CEO and consists of Group Management Committee members, Audit & Supervisory Board Members and an Executive Officer in charge of ESG. The committee, which meets quarterly, invites representatives of the relevant business divisions according to the theme to be discussed, and has an established system to examine and discuss sustainability issues across the Company.

● Linking ESG to executive compensation

Executive compensation has incorporated ESG indicators since fiscal 2020 to hold management more accountable for undertaking ESG initiatives and achieving goals.

Factoring ESG into bonuses for directors and executive officers

The annual Dow Jones Sustainability Indices Rating serves as a tool to confirm companywide ESG initiatives. We use this rating as an assessment benchmark for incentivizing ESG initiatives.

Linking ESG targets to executive officer evaluations

The executive evaluation system compiles basic information for calculating executive officer bonuses. It links to assessments of progress in reaching performance and priority measure targets in areas that executives oversee. It also connects progress toward materiality-linked ESG goals. We are fortifying our commitment to attaining business unit and Group headquarters ESG objectives.

Agenda for fiscal 2021

Fiscal 2021	Month	Agenda
First Meeting	May	• Report on the results of company-wide ESG targets for fiscal 2020 • Approval of the Human Rights Due Diligence Development Plan • Pollution prevention measures • Status of response to ESG evaluation/improvement • Fiscal 2021 integrated report
Second Meeting	July	• Climate change risks and opportunities (comply with TCFD) • Harmonization of GHG (greenhouse gas) reduction scenarios for decarbonization activities • Report on the progress of Human Rights Due Diligence Development Plan
Third Meeting	December	• ESG external evaluation results report • Progress of decarbonization activities • Progress of human rights initiatives
Fourth Meeting	March	• Strengthen supply chain ESG initiatives • Report on the progress of Human Rights Due Diligence Development Plan • Issues and responses to ESG evaluation • Planning of the integrated report for fiscal 2022

Formula for directors' bonuses (fiscal 2021)

Portion determined based on operating profit		Return on capital factor		ESG factor	
Base points	Profit factor	Achievement of target ROE in the current fiscal year = Result / target		DJSI Rating	
Position points	Factor determined based on consolidated operating profit				
(Factor = operating profit (¥a million yen) divided by 20,000)					
Director's position	Position points	Degree of achievement	Factor	Rating	Factor
President	6,470	110% or more	1.2	World	1.05
Corporate Executive Vice President	3,440–3,470	105% or more and less than 110%	1.1	Asia-Pacific	1.00
None	1,680	100% or more and less than 105%	1.0	Not included	0.95
		95% or more and less than 100%	0.9		
		Less than 95%	0.8		

Message from corporate officer overseeing ESG and risk management

We advocated the environmental management concept in 1998, through which we committed to simultaneously balancing environmental conservation and business growth. To further accelerate our efforts and contribution to resolving social issues, we formulated management targets that align finance and ESG in fiscal 2020. We identified four material issues for resolving social issues through business and three related to robust management infrastructure. We formulated 17 ESG targets associated with these seven material issues. While it is common to consider ESG initiatives non-financial indicators, we see them as future financial indicators for activities to help avoid risks and capitalize on business opportunities. We link ESG targets to executive compensation to reinforce our commitment to achieving them.

We view external assessments of our initiatives as a health checkup for Ricoh Group. We are constantly improving our performance. We have been part of the Dow Jones Sustainability Indices World Index for two consecutive years. Nikkei SDGs



Mikako Suzuki
Corporate Officer in charge of ESG and Risk Management

Management Grand Prix has given us a perfect five-star rating for three straight years. We will continue helping to create a sustainable society and enhance our corporate value.

INFO

1 Group Management Committee
The president and CEO chairs this body, to which the Board of Directors delegates authority to review and make decisions to optimize companywide management

2 Task Force on Climate-related Financial Disclosures
The Financial Stability Board established this entity to foster corporate disclosure of climate-related risks and opportunities and stabilize financial markets to help smooth the transition to a more sustainable, low-carbon economy

3 Dow Jones Sustainability Indices
Dow Jones & Company of the United States and sustainability investment research firm S&P Global jointly developed these indices, analyzing corporate sustainability from economic, environmental, and social perspectives