NIKON METROLOGY UK Ltd.

Derby, Argosy Road, DE74 2SA, East Midlands Airport, UK

Nikon Metrology UK Ltd. & X Tek Systems Ltd.
MODERN SLAVERY ACT TRANSPARENCY STATEMENT
Fiscal Year April 1, 2016 - 31 March 2017

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our stance on slavery and human trafficking for the financial year starting April 1, 2016 and ending March 31, 2017 (hereafter “the Year”). We endeavour to ensure that there are no human rights violations through our own business operations or our supply chains. We hereby provide this disclosure statement regarding our activities to prevent and tackle modern slavery and human trafficking.

INTRODUCTION FROM THE BOARD OF DIRECTORS

Slavery and human trafficking remains a hidden blight on our global society. We all have a responsibly to be alert to the risks, however small, in our business and in the wider supply chain. We attach a great importance to CSR (‘corporate social responsibility’). The prevention of modern slavery and human trafficking is an important part of CSR. We endeavour to implement within the Nikon group worldwide and its supply chains, necessary and appropriate measures to fully comply with legal and regulatory requirements and also to meet the expectations from society in this respect. Employees are expected to report concerns and management are expected to act upon them.

ORGANISATION’S STRUCTURE

Nikon Metrology UK Ltd. has its head office in the UK. Nikon Metrology UK Ltd. is the parent company of its wholly owned subsidiary, X Tek Systems Ltd., also with its head office in the UK.
Both companies have an annual turnover in excess of £36m. Nikon Metrology UK Ltd. and X Tek Systems Ltd. are fully owned subsidiaries of Nikon Metrology NV. We are a part of Nikon group.

OUR BUSINESS

Nikon today offers the broadest range of metrology solutions for applications ranging from miniature electronics to the largest aircrafts. Nikon’s innovative measuring and precision instruments contribute to a high performance design-through-manufacturing process that allows manufacturers to deliver premium quality products in a shorter time. Nikon Metrology UK Ltd. develops, manufactures and distributes portable, handheld coordinate measuring machines (optical CMM), laser scanners and coordinate measuring machines (CMM). X Tek Systems Ltd. develops, manufactures and distributes X-ray and CT (computer tomography) products. Our business is organized into different business units: (i) Operations, (ii) Engineering and (iii) Sales & Service, supported by various corporate functions such as HR and Finance.

OUR SUPPLY CHAINS

Our supply chains include the sourcing of raw materials principally related to the development and manufacturing of high precision 3D measuring systems. Our products are developed, manufactured and assembled within Nikon Metrology UK Ltd. or within its subsidiary X Tek Systems Ltd. Product parts and small portion of the final products are supplied from external business partners. For Nikon Metrology UK Ltd., 85% of the suppliers are based in Europe. A substantial part thereof (representing 71% of all our suppliers) is based in the United Kingdom. For X Tek Systems Ltd., 98% of the suppliers are based in Europe. A substantial part thereof (representing 51% of our suppliers) is based in the United Kingdom. These numbers are expressed as a percentage of the total spent by the relevant company for all of its suppliers.

OUR POLICIES ON ANTI-SLAVERY AND HUMAN TRAFFICKING

Nikon has zero tolerance to slavery and human trafficking and we endeavour to ensure that there is no modern slavery or human trafficking in our supply chains or in any part of our business. We expect all those in our supply chain and contractors to comply with our values. “Nikon Corporate
Social Responsibility [CSR] Charter” addresses our group’s basic stance on our social responsibility, including ‘Respect for human beings’ and ‘Socially responsible behavior within the supply chain’. We demonstrate our stance to respect human rights in our business as well as in our supply chain. To enable every single employee to apply this Charter in their daily activities, our Code of Conduct outlines the standards of how we act ethically, with integrity and in compliance with relevant laws and regulations. In the Code, we state that we do not tolerate forced or child labour. We also support the 10 principles of the United Nations Global Compact.

As for supply chain, in August 2015 Nikon published the “Nikon CSR Procurement Standards”, which is our guideline to promote Nikon’s stance on CSR throughout our supply chain, and we require our procurement partners to comply with it. The Standards are based on the EICC (Electronics Industry Citizenship Coalition) Code of Conduct, which is the global standard for the electronics industry and articulates the prohibition of “forced, bonded (including debt bondage) or indentured labor, involuntary prison labor, slavery or trafficking of persons”. For the Year, the Nikon CSR Procurement Standards was updated in accordance with the revision of the EICC Code of Conduct, which articulates that workers shall not be required to pay employers’ or agents’ recruitment fees or other related fees for their employment.

**MEASUREMENT, EFFECTIVENESS AND DUE DILIGENCE**

The various Leaders of the Business Divisions are responsible for compliance in their respective departments and for their supplier relationships. The most important key performance indicator to measure how effective we have been to ensure that slavery and human trafficking is not taking place in any part of our business or supply chains is the level of communication and personal contact with the next link in the supply chain and their understanding of, and compliance with, our expectations.

In all Nikon group companies including Nikon Metrology UK Ltd. and X Tek Systems Ltd., human rights & labor monitoring surveys are annually conducted to ensure child and forced labor practices are not occurring. For employees, we have hotlines by which they are able to report when they know of actual/ potential cases that could violate the Code of Conduct. The hotlines can be used anonymously.

We endeavor to assess risks including modern slavery and human trafficking in our supply chain by enforcing the Nikon CSR Procurement Standards with our suppliers. In the Year, Nikon Metrology UK Ltd., and X-Tek Systems Ltd took the first step having conducted risk mapping of our suppliers which
comprise 80% of total procurement amount – 33 suppliers of Nikon Metrology UK Ltd., and 33 suppliers of X-Tek Systems. We also began to demand our suppliers to confirm in writing that they comply with the Nikon CSR Procurement Standards. A next step will be to roll out a self-assessment to the identified suppliers to check compliance with the Nikon CSR Procurement Standards.

**TRAINING**

In the Year, we explained the contents of the Nikon CSR Procurement Standards, international trends related to human rights issues in supply chains such as the United Kingdom Modern Slavery Act, to employees of our procurement units in Nikon Metrology UK Ltd., and X-Tek Systems. To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and our business, we will provide further training to relevant members of staff who carry responsibilities for the company’s supply chain as well as our suppliers.

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_for Nikon Metrology UK Ltd._

Hajime Kosawa  
Director

Nobuyuki Usui  
Director

 getYasuyuki Sakakibara  
Director

_for X Tek Systems Ltd._

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