

Third-Party Opinion



Project Co-ordinator,
Sustainable Production and
Consumption Department,
Wuppertal Institute for Climate,
Environment, Energy
www.wupperinst.org

Dr. Justus von Geibler

Does Canon walk the talk?

Many large companies talk about responsibility and sustainability. But do they walk the talk? Are their actions aligned with their aspirations? While responsibility and sustainability can seem intangible, sustainability reports can provide concrete insights and drive companies' actions on sustainability. Therefore, I greatly appreciate the opportunity to be involved in the commentary process for Canon's sustainability report. It is a great chance to review and discuss the draft report, and to support Canon's reporting process.

Compared to last year's report I see two important changes with regard to the report's quality and credibility: First, the specification of the new material topic "Responding to people and society as a good corporate citizen" in the report; and second, the stronger links between Canon's business strategy and the Sustainable Development Goals. Therefore, I focus my commentary on these two main changes.

A New Material Topic

The topic "Responding to people and society as a good corporate citizen" already appeared in last year's report, and has now been identified as additional material topic for Canon (→P7–8). It addresses Canon's responsiveness to stakeholders and efforts to behave as a corporate citizen on issues such as employment, human rights, product liability and social contribution. The report presents various related proactive activities. These include information on the annual stakeholder survey (→P10, 14), the new Canon Group CSR Basic Statement (→P11), the management approaches in the CSR Reporting session (→P73–74, P97–98, P107–108), and various actions within the section on the Management Structure, for example, with regard to Risk Management, Compliance, and Stakeholder Engagement.

I greatly welcome the elaboration on the new topic since current conditions of growing uncertainty, complexity, and ambiguity in corporate decision-making environments urge companies to strengthen engagement with their stakeholders. The topic addresses crucial foundations of corporate behavior and complements well the other two material topics on innovative advancement. All three themes together are highly relevant for Canon as a global technology provider in different markets and supply chains, and a wide variety of internal and external stakeholders with diverse interests and expectations. In future reports, I would appreciate seeing the new topic presented in a more succinct way and backed-up with the results of detailed risk analyses, similar to those presented for the environmental material topic (→P34).

Linking business strategy and SDGs

The second main change is the stronger presentation of links between Canon's business strategy and the Sustainable Development Goals (SDGs). I greatly appreciate this change, which is notable in various sections. Both the Message from Management (→P3–4) and the Section "Relationship with SDGs" (→P9–10) illustrate the strategic relevance of the SDGs for Canon's business strategy more prominently than last year's report. The establishment of the new core businesses which connect to 'safety and security' is an indication of Canon's progress towards its ambition of contributing to a sustainable global society. Additionally, the relevance of the SDGs in the external stakeholder views and the "Activity Highlights" is more apparent. I also welcome the concise information on the supply chains in the CSR Management section (→P13). I suggest Canon should go even further in specifying the links between business and sustainability strategy, for example, by defining ambitions and activities with more specific links to the Excellent Global Corporation Plan and its key strategies. Additionally, I would be pleased to see more quantified information on Canon's contribution to the SDGs in future reports.

Significant progress in reporting quality

In conclusion, Canon has in my view again managed to meaningfully enhance the quality and credibility of its sustainability report. My congratulations to Canon and the reporting team for their valuable work. I look forward to Canon's continued advancement in walking the talk.

Third-Party Review Process

Over the many years that Canon has been providing sustainability reports to its stakeholders, the company has worked to develop its approach to reporting and its relationship with stakeholders. Since 2003, Canon has invited various external experts to review and comment on its sustainability report. This process aims to provide meaningful, credible external feedback, and aspires to meet international good practice standards.

Dr. Justus von Geibler has provided comment to Canon's reporting every year since 2008. Via a series of video conferences and written comments, Dr. von Geibler provided input at several points during Canon's report preparation process. The dialogues provide the basis for a degree of stakeholder engagement with Canon – on reporting, on the company's performance, and on Canon's relationships with stakeholders.

Basis for the commentator's opinions

Canon has used the Global Reporting Initiative (GRI) to inform its report development for many years. In 2018, Canon is incorporating the GRI Sustainability Reporting Standards (2016). This third-party commentary process is once again based on a portion of the GRI's four Reporting Principles relating to Defining Report Content*:

- **Materiality.** Does the Canon report reflect the company's significant economic, environmental and social issues?
- **Stakeholder Inclusiveness.** Does the report explain how Canon has responded to the reasonable expectations and interests of their stakeholders?
- **Sustainability Context.** Does the report present Canon's performance in the wider context of sustainability issues and impacts?
- **Completeness.** Is the report's coverage sufficient to reflect the company's sustainability impacts and enable readers to assess Canon's performance?

* A more complete description and guidance is available at <https://www.globalreporting.org/standards/gri-standards-download-center/gri-101-foundation/>

Using these principles as a guideline, Dr. von Geibler assessed the extent to which the Canon report meets his expectations in terms of:

- The appropriateness of the content selected for the Canon Sustainability Report 2018
- The quality of the treatment of individual topics in the report
- The overall quality, balance and relevance of the report as a whole

Sancroft International and its chief executive, Judy Kuszewski, provided advice and support to Canon by defining terms of reference for the third-party opinions, facilitating relationships with Dr. von Geibler and assisting Canon in presenting the results in its sustainability report. Readers should be advised that neither Sancroft nor Dr. von Geibler functions as an assurance provider, but as well-informed, independent sustainability professionals with a keen interest in engaging with Canon and supporting the transparency and accountability of its reporting.

What Canon and the commentator discussed

Through the video conference process and written submissions, Dr. von Geibler and Canon staff discussed reporting expectations, key areas of interest and impressions of the draft Canon report.

The main topics of discussion included the following, with Canon participants’ responses and views shown alongside:

In addition, there was extensive discussion of how best to present and illustrate complex ideas, including Canon’s contribution to the Sustainable Development Goals, through the use of language, pictures and graphical elements.

Dr. von Geibler’s full statement can be seen at “Third-Party Opinion” (→P141).

Topics	Third-party comment	Canon views
Validating and refining the material topics around which the Canon report is framed	Canon’s efforts to improve its materiality analysis and create a clearer link between sustainability and the business are notable. Canon can improve the clarity of its material topics by defining its ambitions and activities with stronger reference to the Excellent Global Corporation Plan, the <i>Kyosei</i> concept and the UN Sustainable Development Goals.	We improved the explanation of the relationship between our business plan, corporate philosophy and materiality in “our business plan and sustainability” (P7–8), following the results of this dialog. We describe our approaches and contributions toward the SDGs in each category of “CSR reporting” (P23–118). Moreover, we discuss the feedback from our stakeholder questionnaire on the SDGs, and also illustrate specific activities related to each SDGs goal in the SDGs chart (P9–10).
Canon’s strategy for sustainability and the Sustainable Development Goals (SDGs)	The UN Sustainable Development Goals appear to be viewed as an expression of society’s expectations, but they also present business opportunities. If Canon sees these opportunities as well, this changes how the SDGs are referenced in the materiality analysis.	We have promoted various CSR activities such as protection of human rights and contributions to local communities ‘as an expression’ of our role as a corporate citizen, following our corporate philosophy “ <i>Kyosei</i> ”. On the other hand, we have set our ambition towards a grand strategic transformation to accelerate growth from 2016. In particular, our new core businesses that we aim to reinforce and expand such as healthcare and network cameras can contribute directly to addressing society’s needs for ‘safety and security’, which are targeted by the SDGs. We will work hard to enrich our report contents from the perspective of our business growth and sustainability in the near future.
Social responsibility through the supply chain	Canon’s disclosure of concise information on the supply chain in the CSR management is welcomed.	We have included information on our various social responsibility activities across our supply chain, responding to increasing attention from our stakeholders on such topics as the environment, human rights and labor issues.
Linking materiality to strategy, business activities and performance	The future report presentation can strengthen the relationships between sustainability and Canon’s business by presenting material topics together with their Management Approach, innovation activities, contribution to the SDGs and performance.	As the scope of the newly introduced materiality topic “Responding to people and society as a good corporate citizen” is very wide, we have presented the details of our activities for the various individual topics separately. In future reports, we would like to seek clearer and more comprehensive presentation for our readers.

About Sancroft

Sancroft is a sustainability consultancy that works with the world’s biggest brands to improve their environmental and social performance. Sancroft advises on sustainability strategy, resource management, ethical trade, human rights, sustainability reporting and stakeholder engagement. Judy Kuszewski is Sancroft’s chief executive. She is also chair of the Global Sustainability Standards Board, the independent governance committee of the Global Reporting Initiative responsible for GRI’s Sustainability Reporting Standards.