

Materiality and SDGs

3 Materiality Themes

Materiality identification uses a three-step process at Canon, as outlined below.

<STEP 1>

About 70 potential materiality issues were proposed, based on comparing Canon’s initiatives and various business activities consistent with medium- to long-term business plans to date against the GRI Standards for sustainability reporting, other CSR-related metrics and wider social expectations of corporations.

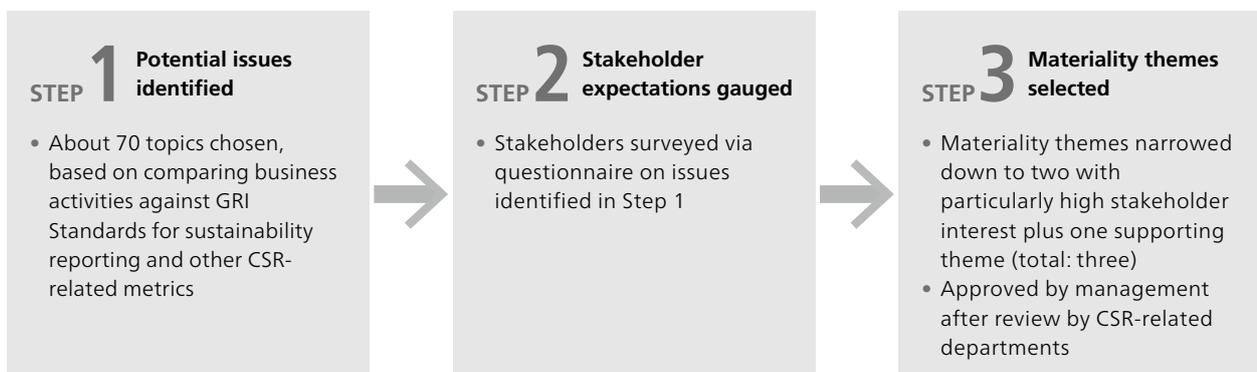
<STEP 2>

We surveyed, via questionnaire, such stakeholders as consumers, NPOs, community groups, investors, analysts, suppliers, universities, research institutions and government bodies on the contribution expected of Canon.

<STEP 3>

The survey results showed many respondents gave high marks to initiatives contributing to “Creating New Value and Solving Social Issues” and “Protecting and Conserving the Environment.” The two were confirmed as materiality themes. The survey also pointed to “Responding to People and Society as a Good Corporate Citizen” as a third key theme supporting the others. After review by the CSR-related departments, these three materiality themes were given final approval by management.

Note that, with items related to “Protecting and Conserving the Environment,” we used the survey to identify materiality issues at the topic level, as stipulated in the GRI Standards (→P37).



3 Materiality Themes and Results of Stakeholder Survey

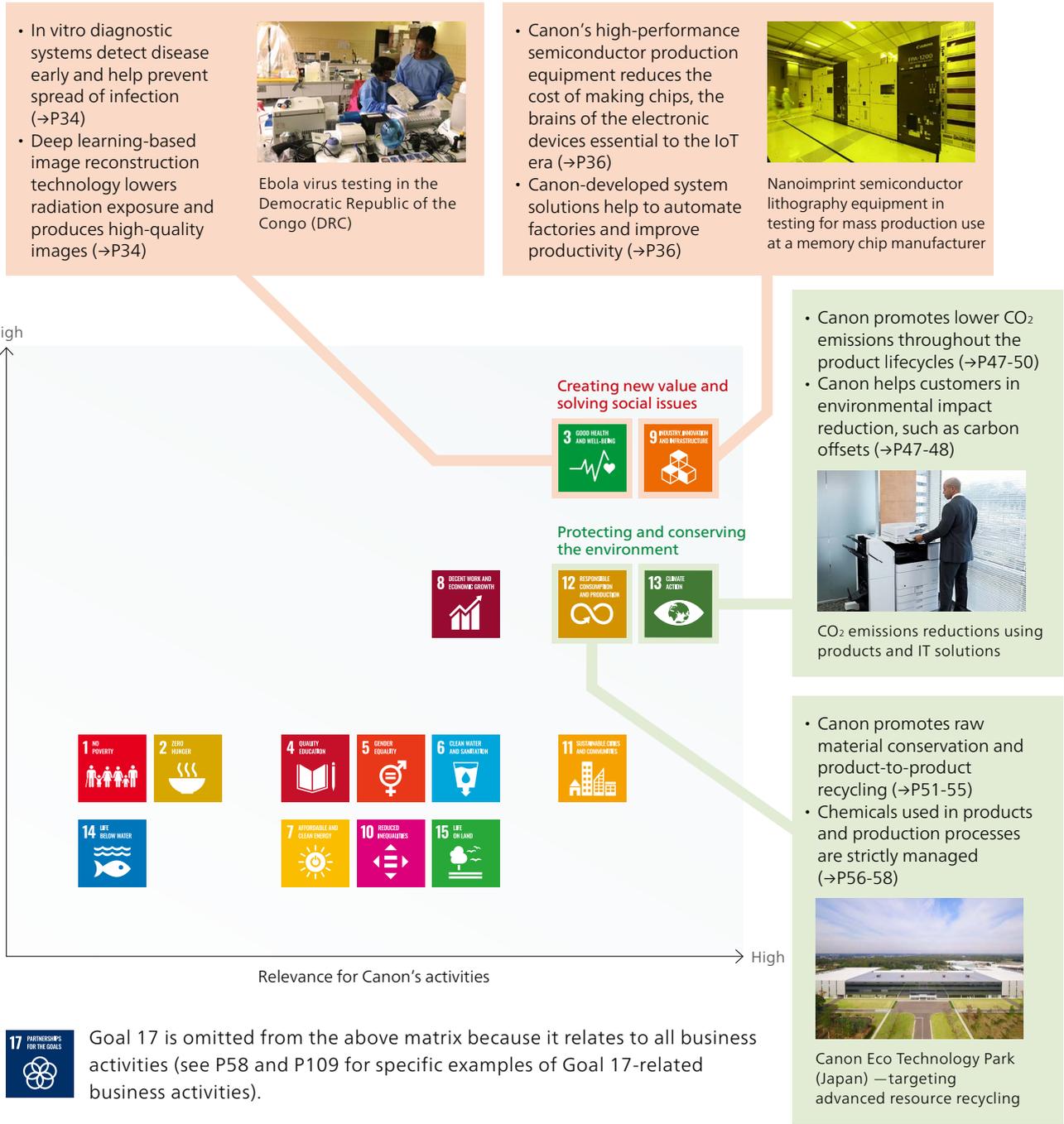
Identified materiality issue	Questionnaire items (extract)	Level of expectations*	Refer to page	
Creating New Value and Solving Social Issues	<ul style="list-style-type: none"> Supporting health and disease prevention Developing photography/imaging-related products and technology Security technologies that support a safe and secure society Productivity-improvement technology 	★★★★★	P29-36	
Protecting and Conserving the Environment	<ul style="list-style-type: none"> Reuse and recycling of used products Management of chemical substances contained in products Management of air emissions and prevention of pollution Management of raw material use 	★★★★★	P37-60	
Responding to People and Society as a Good Corporate Citizen	Human Rights and Labor	<ul style="list-style-type: none"> Female empowerment at work Support for work-life balance 	★★	P61-74
	Product Responsibility	<ul style="list-style-type: none"> Ensuring product safety Universal design 	★★	P75-82
	Social Contribution	<ul style="list-style-type: none"> Development of the next generation Support for disaster-affected regions 	★★	P83-86

* Level of expectation for each issue is decided based on total number of stakeholders selecting that issue as material in the stakeholders survey

Relationship with SDGs

Canon is contributing to the achievement of SDGs through various business activities. The chart below plots each SDG according to stakeholder expectations

as gauged via our survey, versus the degree of relevance for Canon's activities based on the three materiality themes on P13.



Promoting in-house understanding

We are working to promote understanding of the SDGs by Canon Group employees.

- SDG workshops (Canon Inc./Japan)
- In-house photography competitions based on SDGs-inspired themes (Canon Europe/UK)
- Employee education about SDGs through environmental events, such as Earth Day (Canon U.S.A./US)



SDGs workshop in Canon Inc.

Canon's Materiality-based Approach

Creating New Value and Solving Social Issues

Risks and Opportunities

Amid the various ongoing efforts being made globally to realize a more sustainable future, multiple challenges for companies remain.

The march of technical innovation and globalization is generating various threats to the safety and security of homes and businesses due to societal issues, ranging from cyber-attacks or terrorist acts that target concentrated urban populations to aging demographics and novel infectious outbreaks. Delaying the response to rapid societal changes poses a risk for business. In contrast, actively mitigating such risks can be an opportunity for companies to generate additional growth by looking to address societal issues in ways that add original value to people's lives.

Utilizing the imaging technology Canon has cultivated over decades through the camera business, we supply a variety of products and services such as network cameras that contribute to a safe, secure society. We are also striving to develop cutting-edge medical technology for early diagnosis of diseases so that people can enjoy a high quality of life and enriched lifestyles even into old age. Addressing such issues with innovation that is in tune with local community needs and responsive to societal changes helps us fulfil our social responsibility while also enhancing the sustainability of Canon's operations and of society.

The results of Canon's stakeholder questionnaire survey identify areas where stakeholders expect the most from Canon in terms of "Creating New Value and Solving Social Issues." In descending order, these are: development of medical technology that contributes to human health and the prevention of disease; development of products and technologies that lead to affluence and delight for people in the fields of photography and imaging; advancing security technology to contribute to the safety and security of society; and developing technology that boosts industrial productivity. Based on the concerns of stakeholders, we are promoting related initiatives under the four themes of "Meeting diversified needs in commercial printing," "Creating a safe and secure society," "Expanding our medical business," and "Supporting industrial innovation."

Top 5 Stakeholder Expectations (Creating New Value and Solving Social Issues)

	Items
1	Development of medical technology that contributes to human health and the prevention of disease
2	Development of products and technologies that lead to affluence and delight for people in the fields of photography and imaging
3	Advancing security technology to contribute to the safety and security of society
4	Developing technology that boosts industrial productivity
5	Making technological contributions to high-level academic research

Approach

We are building Canon's new business foundation around our traditional mainstays of office equipment and digital cameras plus our four new businesses: commercial printing, network cameras, medical, and industrial equipment. We are working to create new value by leveraging our collaboration with newly acquired Group companies by utilizing their technical expertise, sales networks, human capital, and other resources. We also continue to promote joint development and open innovation with top research institutions such as universities and other companies in Japan and overseas, while also seeking to supply products and services tailored to various needs.

Relationship with SDGs

Through our wide-ranging business activities, technologies, products, solutions and services, Canon, along with our customers and business partners, contributes to the achievement of the United Nations' Sustainable Development Goals (SDGs) listed below.



Protecting and Conserving the Environment

Risks and Opportunities

Affluent consumer lifestyles contrast with the varied environmental problems that the planet now faces, including climate change, resource depletion, pollution and loss of biodiversity. Many countries are instituting policies to reduce CO₂ emissions to address global warming, and there is a growing debate about the need for a circular economy to make effective use of resources. Recognizing these global developments and the business impact of environmental issues, companies believe it is vital to contribute to efforts to address these issues in partnership with national and

local governments, experts and other stakeholders.

Along with continual analysis of related global trends based on information from specialist institutions and government agencies, Canon designates business risks and opportunities by field, based on various estimates about the social impacts of rising temperatures.

In tackling climate change, we believe the critical approach to reduce risk while expanding opportunities involves mitigation by cumulative reduction of CO₂ emissions across product lifecycles alongside adaptation to physical risks.

Major Risks and Opportunities in Four Areas of Materiality, Impact on Business Activities

	Risks	Opportunities
Climate change	<p>Transition risks:</p> <ul style="list-style-type: none"> Stricter energy-efficiency regulation and associated compliance costs (products/sites) Increase in business costs from economic measures to reduce emissions (e.g., carbon tax) <p>Physical risks:</p> <ul style="list-style-type: none"> Negative impacts on operations caused by increasingly severe extreme weather events such as typhoons and floods <p>Reputational risks:</p> <ul style="list-style-type: none"> Worsening external evaluation due to insufficient information disclosure 	<ul style="list-style-type: none"> Expanded opportunities for sale of energy-efficient products (low lifecycle emissions) Contribution to society-wide CO₂ emissions reductions through IT solutions and sales of energy-efficient industrial products Reduced energy costs through increased efficiency in production and transportation Expanded opportunities for use of renewable energy through lower associated costs Enhanced corporate image through proactive disclosure of activity results
Circular economy	<p>Transition risks:</p> <ul style="list-style-type: none"> Increased procurement costs of raw material due to resource constraints Stricter resource-efficiency regulation and associated compliance costs (products/services) Increased costs for collection and recycling of used products in various regions <p>Physical risks:</p> <ul style="list-style-type: none"> Impairment of stable water supply and negative impacts of operation due to extreme weather events <p>Reputational risks:</p> <ul style="list-style-type: none"> Damage to corporate image from slow transition to circular economy 	<ul style="list-style-type: none"> Business cost reduction through improved resource efficiency Enhanced competitiveness through 3R design and development of advanced recycling technology Increased demand for remanufacturing products Enhanced corporate image through showcasing of our advanced approach to resource recycling
Hazardous substances	<ul style="list-style-type: none"> Increased chemical substance management costs due to strengthened and expanded regulations Suspension of production or disruption to parts supply chain due to serious noncompliance by suppliers Damage to corporate image due to poor regulatory compliance 	<ul style="list-style-type: none"> Supplying safe products and maintaining competitiveness through more advanced chemical substance management Cost reduction by introducing more efficient management process across the supply chain Enhanced corporate image through contribution to international standardization, etc.
Biodiversity	<ul style="list-style-type: none"> Decreasing supply and price increase of printing paper due to dwindling forestry resources Restraints on business activities due to disturbed balance of local ecosystems 	<ul style="list-style-type: none"> Applicable usage of our products and technologies to conservation of ecosystem Enhanced corporate image through contribution to local communities

Approach

In 2008, we formulated Action for Green as our environmental vision, expressing a goal to balance lifestyle enrichment with the need to exist in harmony with the environment. We have designated related material areas as “contributing to a low-carbon society,” “contributing to a circular economy,” “eliminating hazardous substances and preventing pollution” and “contributing to a society in harmony with nature.” We try to improve the lifecycle performance of Canon products as part of our business activities.

■ Contributing to a Low-Carbon Society (→P47-50)

We take various initiatives, such as the improvement of energy efficiency and reduced CO₂ emissions across the whole product lifecycle, utilization of renewable energy sources in line with regional characteristics, and activities to support customers and society to reduce their environmental impact.

■ Contributing to a Circular Economy (→P51-55)

Targeting a more advanced resource regeneration process, we are promoting more compact and lightweight products, remanufacturing, and the re-use or recycling of consumables. We are also striving to use water more efficiently and to promote recycling of wastes.

Materiality and SDGs

■ Eliminating Hazardous Substances and Preventing Pollution (→P56-58)

We manage chemical substances by getting our suppliers to follow Canon's green procurement standard. Also, we proactively establish frameworks to manage chemical substance information more effectively in the supply chain. Moreover, we reduce chemical substances used in our own production process and control related emissions.

■ Contributing to a Society in Harmony with Nature (→P59-60)

Based on our Biodiversity Policy, we take initiatives to conserve ecosystems globally. A typical initiative is the Canon Bird Branch Project, which highlights the Cycle of Life through various activities focusing on wild birds. Moreover, based on our Basic Policy of the Procurement of Timber Products, we procure timber products from a sustainable supply chain.

KPI

Canon has adopted lifecycle CO₂ emissions as an integrated indicator to measure the progress achieved across environmental activities aimed at saving energy, conserving resources, and promoting recycling.

Overall target	An average improvement of 3% per year in the lifecycle CO ₂ emissions improvement index per product
Achievement	Avg. improvement: 4.7% p.a. (2008–2019) (Cumulative improvement 40.0%)

Integrated Management Framework

Canon believes it is vital that environmental activities such as measures for climate change are integrated into the management of the business. For instance, the time frames for achieving environmental targets are consistent with those in business plans. In line with the Excellent Global Corporation Plan defining the company's direction in five-year phases, Canon uses rolling three-year technology and product plans that are revised annually. This annual review includes considering the

Link with Business Plans

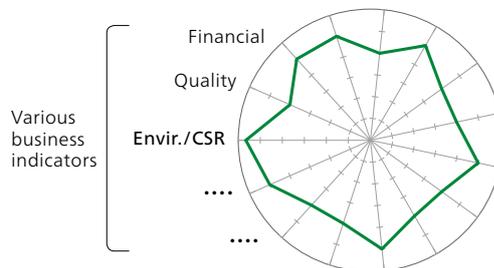


need to modify environmental targets. To tie business and environmental activities and provide a suitable indicator of progress, Canon has tracked the improvement in lifecycle CO₂ emissions per product using a standardized approach since 2008.

The results of environmental activities by each part of the Canon Group (including each business, production subsidiary and sales company) are evaluated using a consolidated performance evaluation system. The system uses financial results as well as indicators for non-financial aspects such as environmental and CSR activities, so the latter are managed as one aspect of the business. The system has been operating since 2001. Indicators have been revised in line with broader changes (→P44).

By utilizing this basic framework to ensure environmental activities are systematically integrated into business management, we are achieving results by focusing on boosting the effectiveness of our measures aimed at achieving environmental targets.

Consolidated Performance Scoring (image)



TCFD-Recommended Disclosures

In line with disclosure recommendations by the Task Force on Climate-related Financial Disclosures (TCFD), the following pages provide information on our activities related to climate change.

Governance	P17 P42, P44-45	Strategy	P16-17 P38-39, P43-44
Risk Management	P16-17 P42-45, P102	Metrics and Targets	P17 P19-20, P39-40

Relationship with SDGs

Canon's environmental initiatives in the four material areas of "contributing to a low-carbon society," "contributing to a circular economy," "eliminating hazardous substances and preventing pollution" and "contributing to a society in harmony with nature" contribute to achievement of SDGs as outlined below.



Responding to People and Society as a Good Corporate Citizen

Risks and Opportunities

Although the spread of globalization has helped to enrich the lives of people around the world, on the flipside new issues are emerging. These include greater mobility demand, less favorable labor conditions, and widening poverty and inequality gaps.

These global societal issues have various effects on the sustainable development of Canon’s business worldwide. For example, poverty, education gaps and other societal issues not only inhibit market growth, but also pose a risk to the recruitment and retention of the human resources required to expand operations. Moreover, serious product quality issues that affect customer safety can have a significant impact due to any loss of business opportunities caused by brand damage or erosion of trust.

However, contributions made by Canon to addressing issues facing local communities where we are developing our business add value. By utilizing our advanced technical expertise and global workforce, we gain not only the trust of local communities, but also opportunities to grow the business. By cultivating workplaces to enable individual employees to fulfill their potential, we also build the enthusiasm of employees, which leads to the sustainable development of the Canon Group.

Besides supporting initiatives to encourage active roles for female employees and working to implement measures that improve better work-life balance, the survey shows that stakeholder expectations of Canon are highest in terms of ensuring product quality and consideration toward employees for child and elder care. Aiming to foster the sustained growth of the Canon Group, we are sincerely developing initiatives within the materiality theme of “Responding to People and Society as a Good Corporate Citizen.”

Top 5 Stakeholder Expectations (Responding to People and Society as a Good Corporate Citizen)

	Items
1	Initiatives to support active roles of female employees
2	Enhancement of policies aimed at realizing work-life balance for employees
3	Maintenance and improvement of employees’ occupational safety and health, physical health and mental health
4	Assurance product safety
5	Consideration toward employees engaged in childcare and nursing care

Approach

Recognizing these risks and opportunities, we are engaged in related activities, as outlined below.

Human Rights and Labor

We are working to ensure all employees can enjoy workplaces in which individuals with varied backgrounds and values are respected and each employee feels secure and highly motivated to work. Our various initiatives in this area are divided into the subthemes of “Respecting Human Rights,” “Hiring and Treatment of Human Resources,” “Diversity and Inclusion,” “Occupational Safety and Health Support,” and “Human Resource Development and Personal Growth” (→P61-74).

Product Responsibility

We are seeking to build customer trust by focusing on the areas of “Quality Management,” “Ensuring Product Safety,” and “Improving Product Usability” (→P75-82).

Social Contribution

Canon is developing activities that utilize in-house technology, business expertise and human resources covering the fields of “Humanitarian Aid and Disaster Relief,” “Environmental Conservation,” “Social Welfare,” “Local Communities,” “Education and Science,” and “Art, Culture and Sports” (→P83-86).

Relationship with SDGs

Our activities in the three fields of “Human Rights and Labor,” “Product Responsibility,” and “Social Contribution” are closely related to the achievement of SDGs as outlined below.

