

## Third-Party Opinion



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**Dr. Justus von Geibler**

The novel coronavirus with its current spread demonstrates that we, as humans, have become globally connected. The drastic consequences for citizens and companies highlight the benefits of well-functioning collaboration in global supply chains and a reliable provision of products. They also underline the value of international transparency and careful consideration of the social and environmental risks of human action at a local, regional and global level.

Against this background, I am very thankful for the continued opportunity to be engaged in the commentary process for Canon's report. My comments are based on a review of the draft report and intensive discussion with the reporting team. Overall, I highly appreciate the progress and achievements of Canon in this year's reporting process. At the same time, I see opportunities for further improvement in future reports.

### Relevance of the Integrated Report as a Whole

I welcome that Canon continues to provide an integrated report, for several reasons. First, the integrated report, aiming for a holistic presentation of Canon's activities in one report, is likely to be more relevant to many readers than individual financial or sustainability reports. Canon provides imaging technologies in various fields of applications with a broad vision of a sustainable global society. Thus, an integrated perspective can support a more holistic understanding and management of the organization. This includes advanced risk management and decision-making and a better understanding of the company's value creation. Furthermore, Canon is active in numerous countries, has global supply chains, and deals with a wide variety of internal and external stakeholders with diverse interests and expectations. In this context, an integrated report can support a coherent stakeholder communication.

### Main Changes in Individual Parts

Compared to last year's report there are some notable changes in individual parts of the report. First, the shortened "Message from the CEO" (→P5-8) at the beginning of report provides the perspective of the top management as well as context for the report in a very concise way. The presentation of "Canon's Value Creation Process" (→P11-12) is much clearer and more integrated in this year's report. Key elements supporting the value creation are presented in a more holistic and aligned way. The linkages to other parts in the report support a better presentation of the connectedness of the information in the report. To advance the understanding of the value creation even further, I would like to see, in future reports, a compact textual specification of the company's purpose which integrates the specific technological expertise of Canon.

The section "Materiality and SDGs" (→P13-14) provides more detail on the stakeholder engagement process and a better presentation of the linkages to the Sustainable Development Goals (SDGs). I appreciate the illustrative case description on "Canon's Vision of Environmental Value" (→P19-20). It shows how Canon's product innovations increase service quality and simultaneously reduce environmental impact at each stage of the product lifecycle. Here, the overall target of an average yearly reduction of 3% per product unit supports the measurability of the environmental performance at product level. I believe, that in addition to these relative targets, more absolute targets for the overall environmental impact at the company level would be supportive to align corporate action, specifically in case of conflicting goals and related decision-making.

I congratulate Canon and its reporting team for the promising achievements in their integrated report. I am sure, they can build on their substantial experience and are ready to further advance Canon's reporting, even in current uncertain times. I look forward to continued progress in the future.



Sancroft International Ltd.  
Chief Executive  
and  
Global Sustainability Standards Board  
Chair

**Judy Kuszewski**

I have followed Canon's sustainability reporting closely for many years—from environmental reporting, to sustainability, to integrated reporting.

This report represents a significant change in Canon's reporting approach. I am very impressed by the depth and integration this report provides. While Canon is already very experienced in sustainability reporting, this report demonstrates that even experienced report producers can strengthen the quality and meaningfulness of their report.

At the heart of this report is Canon's value-creation model. This model demonstrates clearly how the whole business, and all it produces, is built on the foundation of Canon's unique corporate philosophy, *kyosei*, and mobilizes the company's resources and business proposition toward the achievement of this vision.

The UN Sustainable Development Goals (SDGs) are an increasingly important touchstone for business seeking to ensure their activities contribute to the common good. Canon has taken this on board, and reflects in this report the company's activities in light of the SDGs.

As the SDGs are intended primarily for governments, it can be challenging for private-sector companies to demonstrate their contributions in a robust way. Nevertheless, Canon has demonstrated a clear intention to align its business activities to specific SDGs intelligently and meaningfully. In the future, I would like to see Canon reflecting on the full intention of specific SDGs in its impact analysis. For example, Canon's discussion of network visual solutions focuses on the surveillance value of network cameras, with little reference to other benefits to society. SDG 11 challenges us to 'make cities and human settlements inclusive, safe, resilient and sustainable.' While the value of Canon's solutions to safety is quite clear, the contributions to inclusivity, resiliency and sustainability are yet to be explored. I would like in the future to see Canon addressing all elements of the SDGs that are most relevant to its activities.

One of the most significant manifestations of integrated thinking and management—as encouraged by integrated reporting—can be found in a company's approach to risk identification and management. Canon shows excellent foundations in its discussion of the various risks related to climate change—segmented into transition, physical and reputational risks. This gives readers a much clearer and more specific view of how the business may interact with these sustainability trends in the future, and I believe readers would benefit greatly from a similar granular understanding of risk related to other areas of sustainability impact. This would, in my view, bring together Canon's business with the reality of the sustainability challenge in a more tangible and meaningful way.

Canon's efforts with this integrated report are certainly to be congratulated. Such a significant change to the company's reporting concept must inevitably bring challenges, and will no doubt be further improved over the coming years.

The *kyosei* philosophy demands that Canon look beyond its day-to-day priorities and activities to manage their impacts within the wider context of sustainability. Integrated thinking—bringing together economic, social and environmental considerations alongside the demands of a major, global business—is an enabler of *kyosei*, and is, in my opinion, firmly on display in this integrated report.

## Third-Party Opinion

### Third-Party Review Process

#### Introduction

As part of Canon’s ongoing efforts to improve its sustainability reporting for stakeholders, Canon seeks the advice of 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.

Judy Kuszewski and Dr. Justus von Geibler have supported Canon’s reporting every year for over a decade, through dialogue with Canon leadership and detailed, challenging review of concepts and draft contents as they are developed, as well as written commentary which is published in this report.

#### Basis for the Commentator’s Opinions

Using the Global Reporting Initiative (GRI) Sustainability Reporting Standards, the Integrated Reporting framework of the International Integrated Reporting Council and the UN Sustainable Development Goals (SDGs) as background, the commentators challenged Canon on:

- **Materiality**—The topics of greatest importance to Canon’s business and to its stakeholders.
- **Integration into business**—Demonstrating that Canon’s sustainability priorities are fully embedded into the business operations.

- **Risk identification and management**—Canon’s sustainability report should demonstrate its understanding of potential risk to the business from key sustainability trends, and the strategic steps taken to address these risks.
- **Value creation**—Canon’s sustainability report should demonstrate the role that sustainability thinking and action play in opening up new pathways to add value to the business and its customers.

Judy Kuszewski and Dr. Justus von Geibler are well-informed, independent sustainability professionals with a keen interest in engaging with Canon and supporting the transparency and accountability of its reporting. They are not auditors or assurance providers.

#### What Canon and the Commentators Discussed

Through the video conference process and written submissions, the commentators 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:

Topics	Third-party comment	Canon views
Integrating sustainability into long-term value creation	This year’s integrated report is a major step forward over last year’s. The description of Canon’s value-creation model is a particular improvement, and numerous potential edits and further improvements were discussed.	We improved our report in light of feedback from specialist investors for our first integrated report issued in 2019. We particularly focused on “Value Creation Process” (→P11-12) through dialogue. Based on our discussion, we enriched our explanation of the relationship between our corporate philosophy, SDGs and society for a clear understanding.
Validating and refining the material topics and relationship to the SDGs	Canon’s description of material topics could potentially be improved with a link to the connection between Canon’s corporate resources, culture, organizational culture with the potential to create new value and solve social issues. In this way, these elements could be shown to enable the creation of new value in an integrated way.	We improved our materiality identification process with detailed information such as specific expectations of Canon from stakeholders which we consider through our identification process. In addition, we showed the relationship between the SDGs and materiality topics using a matrix chart and some concrete examples (→P13-14). Following advice from this dialogue, we will try to deliver our material topics amid the context of “Value creation process” in order to advance the quality of the integrated report.
Identification and management of risk	Canon’s efforts to describe economic, social and environmental risk to the business have improved and become more detailed in this report. Climate risk in particular is further advanced, segmented into Transition, Physical and Reputational risks. This approach is recommended for other areas of risk, as it brings abstract concepts into further focus for readers.	Risks and opportunities in each area of the three materiality themes are described in this report (→P15-18). Regarding climate change in the environment area, risks are segmented into three for better understanding taking TCFD recommendations into consideration. Following guidance from commentators, risks in the circular economy area are also segmented into three. We will further improve our approach to risk description in other materiality areas from readers’ perspective.
Relationship between product services and environmental impact	Participants discussed the potential tradeoff between improving product’s services and reducing environmental burden, the underlying understanding of the higher functionality of products and services, and how a broader perspective (including environmental benefits of the product) could be better integrated into the value creation, and how this broader view can be made clear and relevant for readers.	The environmental value which Canon aims to realize in the environment vision is visualized and concrete examples are shown (→P19-20). In order to make our vision clear for readers, some descriptions have been reviewed following suggestions from commentators. We will further improve the entire contents of this section.
Materiality topics to solve societal issues	Contribution through Canon’s network visual solutions focuses on the surveillance value of network cameras, with little reference to other benefits to society. It is recommended Canon mentions other aspects such as the natural disaster-response element. That will also enrich the information on the challenge for SDG 11.	Considering these suggestions, we reviewed our activities not only from the standpoint of “safe cities” but also “the inclusive, resilient and sustainable” aspects, which SDG 11 requires, broadening our view. We added some information in addition to the surveillance value such as the infrastructure check system (→P31).