

Third-Party-Opinion



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Global agreement about key global sustainability challenges and their importance continues to strengthen. This is exemplified in the Sustainable Development Goals (SDGs) as agreed upon by the United Nations in September 2015; as well as in the Agreement secured at the Paris Climate Conference in December 2015, which saw 195 countries and the European Union adopting a legally binding global climate agreement. As a result, there is a growing expectation that Canon and other global companies will take on the responsibility to help develop appropriate responses to the identified challenges and to contribute to the achievement of the goals set out for sustainable development. Corporate sustainability reporting therefore becomes increasingly important, particularly with a view to demonstrating individual companies' contribution towards the achievement of sustainability goals.

With this in mind and drawing on widely accepted criteria for assessing the quality of sustainability reports, my overall judgement of Canon's 2016 report is a very positive one. Having been involved not only in discussing the structure of the report and the selection of themes to be covered, but also in undertaking an independent review of the draft report itself, I see two particularly meaningful achievements in Canon's sustainability report compared to previous reports.

Firstly, the report presents considerably more information on how Canon is responding to societal concerns. Enhanced information about the context that Canon operates within enables the reader to better understand the relevance of specific themes and strategic approaches for the company. Contextual information about Canon's diversification strategy is, for instance, provided in the Message from Management (see page 3 and 4) or in the sub-section "Issues and Approach" (see pages 11-25). Furthermore, the new phase of Canon's

medium- to long-term management plan for 2016 to 2020 is presented as additional contextual information, including the key strategies and the economic goals set out for the business (see page 7 and 8). I very much commend Canon's presentation of both social and environmental issues as drivers for achieving those economic goals, particularly seeing that many environmental and social challenges (e.g. as illustrated in the SDGs) also represent considerable business opportunities. In the future, it would be beneficial to further integrate social and environmental goals in Canon's medium- to long-term management plan in order to better highlight the importance of non-financial goals for Canon and its stakeholders.

Secondly, changes in the structure of the report have been made in order to achieve better alignment with the recent update of the Global Reporting Initiative standard. The result is a much clearer structure and an improved overall balance of the report. In this way, the choices made regarding the content for the 2016 report are made even more transparent. Regarding environmental aspects, Canon presents its perspective on the relative significance of different issues in a materiality matrix, based on a detailed analysis involving stakeholders, data from life cycle assessments and its own assessments. I would like to see future reports reflect more clearly the social and economic factors and their impacts on the environment. From my point of view there is potential to further strengthen Canon's response to certain stakeholder concerns, by including, for instance, the opportunities of high-quality imaging to bring nature and environmental issues more powerfully to people.

It is crucial for a sustainable company to fully understand how it can create and maintain a significant positive impact in areas that are critical and relevant for both society and the planet. Based on its sustained achievements in terms of sustainability reporting, my impression is that Canon has what it takes to achieve this, and the prospects have never been better.

About the 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

For the eighth year running, Canon has welcomed external comment based on a portion of the Global Reporting Initiative Sustainability Reporting Guidelines, namely 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?

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

- The appropriateness of the content selected for the Canon Sustainability Report 2016
- The quality of the treatment of individual topics in the report
- The overall quality, balance and relevance of the report as a whole

Judy Kuszewski provided advice and support to Canon by defining terms of reference for the third-party opinions, facilitating relationships with the commentator and assisting Canon in presenting the results in its sustainability report. Readers should be advised that neither Judy Kuszewski nor the external commentator functions as an assurance provider, but as well-informed, independent sustainability professionals with an 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, 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:

Topics	Third-party comment	Canon views
Linkages between activities, impacts and risks	A more explicit consideration of the linkages between various environmental, economic and social issues and impacts related to Canon’s operations is advisable.	General linkages can be seen in the Materiality section, but not throughout the report due to its structure. Canon will take account of this in future.
Continuity of ideas from previous reports	While the materiality topics are essential for the report, it is still desirable to see how continuity of Canon’s commitments and processes has been maintained over time.	Canon understands consistency of disclosed information over a multi-year period. Canon posts various environmental data on the website when the space of the stand-alone report is limited.
Stakeholders’ views on Canon’s most important impacts	The views of stakeholders form an important part of Canon’s materiality process. Canon is advised to consider how it might respond to certain stakeholder concerns, such as education, awareness or biodiversity in light of Canon’s business.	In response to the results of the stakeholder surveys, Canon started using lifecycle analysis data to measure environmental impacts on Canon’s business operations. The company tries to reflect stakeholder’s concerns from multiple viewpoints.
Clear prioritization of issues in the materiality process	Regarding environmental aspects, Canon has clearly indicated its views on the relative significance of issues in its materiality matrix, and has identified these issues with specificity.	Canon is most focused on the environmental aspects this year, and should be able to reflect better in the future on social and economic factors and their impacts on the environment.

Dr. von Geibler’s full statement can be seen at “Third-Party Opinions.”

About the Facilitator

Judy Kuszewski is a specialist consultant in the field of corporate responsibility, and is a director of IWJK Limited. Her career spans over 20 years, including senior roles with

Ceres, the Global Reporting Initiative, and the consultancy SustainAbility. For more information, please visit www.shinesustainability.com