

Third-party Opinion/Third-party Assurance



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Transparent sustainability reporting is no longer a nice-to-have but an imperative. This is driven by various factors, in particular increasingly stricter regulatory reporting requirements. For example, the European Corporate Sustainability Reporting Directive (CSRD), adopted in 2023, sets reporting requirements not only on the impacts of companies' own operations but also on the impacts connected with its value chains, including its products and services, and its supply chains. Thus, information on value chain impacts is a key requirement in sustainability reporting.

I have reviewed the draft material of Canon's sustainability report for 2024 from a value chain perspective, focussing on the social impact of Canon's products, and on the material topics.

Social Contributions of Canon's Products

A new overview of Canon's business units and the social contributions of their products is included in this year's report (→P06). I welcome this page, since it explains how Canon's core business activities contribute to social sustainability. This is complemented by a disclosure on the Canon EXPO (→P07–08), highlighting how Canon's technologies could improve lives and work in the future. These sections take a positive stance, but have little to say about potential technology-associated societal risks. I appreciate the reference to the integrated report for detailed information, but hope that future disclosures on social product impacts in the different reports are more aligned and cover risks and opportunities in a more balanced way. This could involve linking to Canon's long-standing work on product responsibility, including product safety, reliability, and usability (→P67–72) and allow a better understanding of social impacts of the product portfolio and related actions.

Material Topics from a Value Chain Perspective

This year's report provides a clearer overview on the material topics and related disclosures. The table (→P11–12) merges previously scattered information on the material topics and specific materiality-related targets and measures, including those related to the value chain. The value chain perspective is well reflected in the environmental material topics, most prominently through the scope 3 emissions which include Canon's indirect upstream and downstream emissions, encompassing both Category 1 (purchased goods and services) and Category 11 (use of sold products). Another example relates to recycling efforts to support resource efficiency. Outside the environmental domain, however, the value chain perspective for Canon's products is given much less attention. Only one target in the social domain ("Mitigate risks by conducting human rights due diligence") is related to upstream or downstream activities. I believe that more disclosures on the downstream performance of products would help the reader to better understand the full scope of the product portfolio's impacts, including stronger links to social benefits of Canon's products.

Material Topics with More Specific Targets and KPIs

The new overview on the material topics and related disclosures (→P11–12) includes a clearer specification of targets and key performance indicators (KPIs). Combined with an assessment of target achievements, Canon provides a much more transparent view of the focus and performance in key sustainability areas. However, with more 25 targets and 35 KPIs specified for the six material topics, the question arises how Canon addresses potential conflicts that may arise between these targets. While the report suggests a rough prioritization at material topic levels, I would recommend a stronger prioritization of targets and KPIs. This could be accompanied by a reduction in the number of specified indicators. A streamlined and prioritized approach could further enhance transparency and allow stakeholders to better understand Canon's strategic direction on the material topics.

My Conclusion

Canon's 2024 report represents a notable step towards greater transparency in sustainability reporting. While I see areas for improvement, such as incorporating stronger target prioritization and social product performance metrics, the report demonstrates Canon's continued commitment to transparency and provides a highly valuable foundation for further progress.



Sancroft International Ltd.
Chief Executive
and
Global Sustainability Standards Board
Chair (2017–2023)

Judy Kuszewski

Canon was founded over 80 years ago, yet remains a dynamic global organisation. This is particularly evident in its approach to sustainability impacts and reporting, which is fitting, in light of the increasing strategic relevance of sustainability matters for corporate success. This trend will only grow in the years to come, as society grapples to address the challenges that come with environmental and social change – which are already urgent – and to make the most of the role that corporations play in ensuring sustainable outcomes for society.

So it is also fitting that the dynamism Canon displays as a corporate entity is reflected in its reporting, which is increasingly extensive, increasingly specialised and designed to address specific stakeholder needs, currently comprising no fewer than five separate documents (→P01). I would encourage Canon to maintain its focus on ensuring these and other communications channels are coherent and connected, and that they facilitate the reader's deeper exploration of Canon's strategy and performance.

Further specific comments and recommendations follow.

Evolving Sustainability Promotion System Continues to Evolve

Canon launched a substantial reorganisation of its sustainability approach, which is designed to drive awareness of and a consistent approach to implementation of sustainability thinking throughout its operations and business units. This system is still unfolding, most recently with the establishment of the Sustainability Committee in April 2024. It is expected that this approach will strengthen over time, and understandable that in a time of transition but reporting cannot be fully robust. Or it remains, understandably, somewhat vague.

Material Topics, Targets, KPIs and Canon's Ambition

One of the notable improvements in this year's report, in my opinion, is the strengthened disclosure about the environmental and social topics deemed material (→P11–12). It includes, and improved provision of context to understand the nature of these topics and what Canon is doing about them, and what progress they have made, in a compact 2-page spread. The information it addresses is wide and complex, but made simple by the clear structure and references to more detailed information. I recommend that Canon keep the related goals and targets under review and test them against their organisational ambitions: Which of these goals and targets stretch and challenge Canon the most? Are they as ambitious as Canon wants and needs them to be? Are they fit for purpose – that is, do Canon's corporate targets really address the scale of the important challenges they have identified in their material topics? And how will the goal-setting process influence the ongoing development of the sustainability promotion system?

Specific Environmental Targets and Reporting Approach

In several areas, for instance carbon emissions, it is clear that Canon has already made substantial progress against its existing set of targets, so much so that it raises the question as to the need to review and reset the objectives sooner than anticipated. Canon's 2030 targets in Scope 3 and lifecycle CO₂ emissions per product are both very close to achievement already. This tends to suggest Canon has the opportunity to review and reset their ambitions in these areas, in recognition of the enormous global challenges presented by climate change and urgent need to do much more, collectively, than we are currently doing. In a slightly different example, the topic of biodiversity has received a significant boost in recent months through the launch of both the updated GRI topic standard for Biodiversity and the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations, which provide a structured and rigorous means to identify, assess and report on biodiversity-related impacts. As this topic remains one of Canon's long-standing material topics, I very much hope they will take an early lead in expanding reporting on these matters, in line with this growing global body of best practice.

Canon has been issuing environmental and sustainability reports for many years now, and has built up a wealth of experience in sustainability reporting can only be viewed as a veteran of the practice. This is a journey I have been proud to support as a critical friend and look forward to continuing to do so in the future.

About the Third-party Review Process

Introduction

To support Canon in its ongoing efforts to improve its sustainability reporting for stakeholders, the advice of external experts is an important element of Canon's annual reporting cycle. Canon asks these experts to review and comment on its sustainability report, to:

- Provide a means both to advance Canon's commitment to sustainable development and to check expectations and perceptions of progress against the experts' own views
- Support the achievement of accountability through the sustainability report
- Help foster dialogue between Canon and its stakeholders while supporting good accountability practice.

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 Commentators' Opinions

Using the Global Reporting Initiative (GRI) Sustainability Reporting Standards 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; where Canon's most significant impacts are produced, and where Canon can make the most difference to the issue.
- **Relationship between sustainability impact and strategy** – How to ensure readers do not lose valuable context related to Canon's core business strategy.
- **Clarity and complexity** – How to link together multiple reporting processes for various audiences, while maintaining a coherent overall sense of Canon's business and capability.
- **Advancing sustainability strategy** – Canon should take the ongoing opportunity to strengthen people's understanding of how its products deliver on wider sustainability demands of society.

Judy Kuszewski and 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

Topics	Third-party comment	Canon views
Relationship, consistency and clear reporting with a growing collection of different reports	As sustainability reporting is becoming mandatory in some jurisdictions, with a range of relevant frameworks and a variety of intended audiences, Canon is responding by specializing some of its reporting for these various purposes. This makes sense as an approach, but there is a risk that the different reports are disconnected and hard to use for readers. Canon should continue its efforts to improve understanding by providing linkages not just between different reports, but connectedness of information, both in concept and potentially communications technology, to facilitate readers' access to information across an increasingly complex landscape.	Canon publishes several reports containing sustainability information to meet the growing legal and regulatory needs of its stakeholders. For the 2024 Report, we have included a list of each report so that readers can see at a glance which reports provide the information they need (→P01). We will work to improve the relevance of information between reports.
Canon EXPO as an opportunity to showcase the future.	The Canon EXPO, held every few years, is an exciting platform to explore Canon's unique expertise as a business and how it may improve lives and commerce in the future. How does Canon EXPO give us a window into what the future looks like? Canon's report showcased several interesting concepts, such as the Green Platform, which is quite conceptual; how might these concepts be applied very practically, in the largest possible number of contexts?	Canon EXPO 2023 introduced how the latest products, services, solutions, and supporting technologies are solving social issues and creating new value (→P07-08). We will give form to the products, technologies, and solutions which are exhibited at Canon EXPO 2023 and deliver them to the market. This report also discusses solutions to social issues through these measures.
Maturing the environmental and social material topics	The identified material topics continue to improve, becoming more specific and practical for evaluation and checking progress. However, social and environmental are not consistent in the way they are defined, with in most cases the environmental topics are much more clearly more specified in most cases than the social topics. This reflects the general development of many of these issues, and the lesser degree of standardization in the social domain. However, the social topics are of equal urgency to delivering on sustainability goals; therefore, Canon's approach should be developed to reflect the same level of rigour.	Every year, Canon conducts surveys of trends in sustainability around the world and regions, analyses relevant laws and regulations, and reviews priority issues (→P10). We are fully aware of the importance of the social fields you have pointed out, and will consider them in light of new trends in information disclosure standards such as the ISSB and CSRD, as well as stakeholder opinions.
Sustainability promotion system evolves	The promotion system that supports the embedding of sustainability throughout the organization continues to change, naturally, as these functions mature. It is currently difficult to evaluate, given the limited information available. As these systems are crucial for the embedding and dissemination of sustainability through a complex global company, we hope to see Canon elaborating this further in future reports.	Canon established the Sustainability Committee in April 2024 to ensure appropriate and effective decisions on sustainability-related matters (→P05). We are working to promote our sustainability activities under this committee and will share our progress.
Canon product responsibility as a lens to the wider business	In the description of Canon's material topics, the identified social topics (in contrast to the environmental topics) lack product performance indicators linked to those social impacts. There is substantial capability and a strong mindset on which Canon can build, given Canon's extensive history with environmental performance and product responsibility safety, and increasingly environmental performance. 'Sustainable by design' can be as powerful as 'universal design' already is.	Canon has been working to design products that not only have an impact on the environment, but also have an impact on society, such as product safety and universal design. We will review our efforts in terms of social impact through our products, and also consider indicators.

Dr. Justus von Geibler's and Judy Kuszewski's full statements can be seen at "Third-party Opinion." (→P91-92)

Canon has received third-party assurance from LRQA Limited for GHG emissions, energy consumption and water consumption data within Canon Sustainability Report 2024 for the year 2023.



LRQA Independent Assurance Statement

Relating to *CANON Group's Environmental Data within CANON Sustainability Report 2024* for the calendar year 2023

This Assurance Statement has been prepared for *CANON INC.* in accordance with our contract but is intended for the readers of this report.

Terms of Engagement

LRQA was commissioned by CANON INC. ("the Company") to provide independent assurance of its Environmental data within CANON Sustainability Report 2024 ("the Report") for the calendar year 2023, against the assurance criteria below to a limited level of assurance and materiality of the professional judgement of the verifier using ISAE 3000 (Revised) and ISO 14064 -3:2019 for greenhouse gas emissions.

Our assurance engagement covered operations and activities of the Company and its subsidiaries in Japan and overseas and specifically the following requirements:

- Verifying conformance with the Company's reporting methodologies in accordance with the GHG Protocol for the selected dataset; and
- Evaluating the accuracy and reliability of data for the selected environmental indicators listed below:¹
 - Scope 1 GHG emissions (tonnes CO₂e)
 - Scope 2 GHG emissions, [market-based and location-based] (tonnes CO₂e)
 - Scope 3 GHG emissions associated with Categories 1 to 15² (tonnes CO₂e)
 - Energy Consumption² (TJ)
 - Water consumption² (m³)

Our assurance engagement excluded the data and information of the Company's suppliers, contractors and any third-parties mentioned in the report.

LRQA's responsibility is only to the Company. LRQA disclaims any liability or responsibility to others as explained in the end footnote. The Company's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the Report and for maintaining effective internal controls over the systems from which the Report is derived. Ultimately, the Report has been approved by, and remains the responsibility of the Company.

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that the *Company* has not, in all material respects:

- Met the requirements of the criteria listed above; and
- Disclosed accurate and reliable environmental data as summarized in Table 1.

The opinion expressed is formed on the basis of a limited level of assurance³ and at the materiality of the professional judgement of the verifier.

LRQA's Approach

LRQA's assurance engagements are carried out in accordance with ISAE3000 (Revised) and ISO 14064-3:2019. The following tasks were undertaken as part of the evidence gathering process for this assurance engagement:

¹ GHG quantification is subject to inherent uncertainty.

² Verification was only conducted for 2022 year's data.

³ The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.



- Auditing the Company's data management systems to confirm that there were no significant errors, omissions or mis-statements in the report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification;
- Interviewing with key people responsible for compiling the data and drafting the report;
- Sampling datasets and tracing activity data back to aggregated levels;
- Verifying the historical GHG emissions, energy consumption, water consumption and records for the calendar year 2023; and
- Visiting the Company's head office (Shimomaruko) and Canon Marketing Japan Inc.'s head office to confirm the data collection processes, record management practices, and to physically check emission sources.

Observations

The Company should continue efforts for implementing quality assurance and quality control (QA/QC) systems in the data and information management of GHG emissions, energy consumption and water consumption. In particular, it is expected that data management at overseas sites will be more accurate.

LRQA's Standards, Competence and Independence

LRQA implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 *Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition* and ISO/IEC 17021 *Conformity assessment – Requirements for bodies providing audit and certification of management systems* that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

This is the only work undertaken by LRQA for Company and as such does not compromise our independence or impartiality.

Signed

Dated: 10 March 2024

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The English version of this Assurance Statement is the only valid version. LRQA assumes no responsibility for versions translated into other languages.

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Table 1. Summary of CANON Group's Key Data for CY2023:

Scope		
Scope 1 GHG emissions	161,639	tCO ₂ e
Scope 2 GHG emissions [Market-based]	754,873	tCO ₂ e
Scope 2 GHG emissions [Location-based]	874,789	tCO ₂ e
Scope 3 GHG emissions	6,551,103	tCO ₂ e
Category 1	2,903,022	tCO ₂ e
Category 2	882,861	tCO ₂ e
Category 3	179,872	tCO ₂ e
Category 4	357,008	tCO ₂ e
Category 5	22,551	tCO ₂ e
Category 6	58,011	tCO ₂ e
Category 7	146,592	tCO ₂ e
Category 8	0	tCO ₂ e
Category 9	49,666	tCO ₂ e
Category 10	0	tCO ₂ e
Category 11	1,785,531	tCO ₂ e
Category 12	164,796	tCO ₂ e
Category 13	1,194	tCO ₂ e
Category 14	0	tCO ₂ e
Category 15	0	tCO ₂ e
Energy consumption	10,275	TJ
Water consumption	8,662,709	m ³