

# Human Rights, Employment and Labor Responsibility

Large numbers of people work in the Nippon Paper Group's expansive company-owned forests and large-scale production sites. Securing their safety and health is the Nippon Paper Group's top priority.



## 第8回 日本製紙グループ 小集団活動発表大会

一人のひらめき、みんなの気づき、集めて改善 小集団活動!



Nippon Paper Group presentation conference for Small Group Activity

Indicators	Key Objectives	Performance (fiscal 2016)
<b>Materiality: Occupational Safety and Health</b>		
Number of serious occupational accidents Frequency rate for occupational accidents requiring time off from work	Prevention of injuries to any person at a mill site ● Elimination of serious occupational accidents ● Frequency rate for occupational accidents requiring time off from work = 0.30 or less	No serious occupational accidents Frequency rate for occupational accidents requiring time off from work = 0.39

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# Policy and Management

Building a healthy and safe workplace environment in which employees, who serve as the driving force behind the Group's corporate activities, can take full advantage of their individual capabilities while conforming to the highest ethical standards

## Basic Stance

### Focusing on the optimal application of diverse human resources while ensuring safety and disaster prevention

The Nippon Paper Group respects human rights and aims to develop a working environment that makes the most of a diverse range of human resources. Work-style reform, for example, has gotten much attention in recent years, and we are moving proactively to help ensure that employees can maintain work-life balances that suit them.

We also make every effort to maintain and enhance safe working environments and to take all appropriate measures for safety and disaster preparedness.

## Philosophy and Basic Policy

### Aiming to be a company where employees can look to a better future

Gaining the trust of society and fulfilling our responsibilities requires that Nippon Paper Group employees act with high morals and strong motivation. Promoting employee awareness and behavior consistent with that belief, helping individual employees improve their capabilities, and rewarding performance are among our most important

#### Philosophy and Basic Policy on Human Rights, Employment and Labor

(established on October 1, 2004)

##### Philosophy

Respecting fundamental human rights at all times and making the most of the individuality and capabilities of a diverse range of human resources, we aim to create a company overflowing with dreams and hope.

##### Basic Policy

#### 1. Respect for human rights

We pledge to respect fundamental human rights and not to engage in any behavior that disregards such rights, including discrimination based on matters such as nationality, race, place of birth, sex, religion, medical conditions or disabilities, sexual harassment and the abuse of power. We also pledge to manage personal information appropriately in order to prevent infringements on privacy.

#### 2. Prohibition of forced and child labor

We pledge not to force any employees to carry out unreasonable work. We also pledge not to employ children aged under the minimum employment age stipulated in local laws and regulations.

#### 3. Promotion of personnel training and skill development

We pledge to promote personnel training and skill development programs to help improve individual employees' abilities and skills through the establishment and maintenance of structures to make the most of the individuality and capabilities of a diverse range of human resources.

responsibilities. The Group established its Philosophy and Basic Policy on Human Rights, Employment and Labor based on this understanding.

## Initiatives in Respect of Human Rights

### Confirming, verifying, and educating with the help of a third-party perspective

#### ● Exchanging opinions with Amnesty International Japan

In 2014, divisions in charge of procuring wood chips and managing labor relations at Nippon Paper Industries each met with Amnesty International Japan to share opinions. The meetings helped us to deepen our understanding of global trends in human rights issues. They also gave us an opportunity to explain and discuss conditions at the company and prioritize our actions going forward.

Later, in fiscal 2015, we embarked on an examination of human rights conditions at subcontractors in Japan and at overseas chip suppliers. Based on examination results, we are making changes by employing PDCA cycles as we continue our dialogue with Amnesty International Japan.

#### ● Paying attention to human rights issues at affiliated companies in Japan

In fiscal 2015 and 2016, Nippon Paper Industries Co., Ltd. examined human rights issues at affiliated companies in Japan. Fiscal 2015 was set aside for self-examinations and in fiscal 2016 the results of that work were summarized in reports, and responses to issues were considered.

#### ● Concern for human rights across the supply chain

Concern for human rights and labor across the entire supply chain is clearly defined in the Nippon Paper Group's Philosophy and Basic Policy Concerning Raw Materials Procurement, and the Group conducts supplier surveys and interviews regarding these concerns (see pages 24 and 27). Furthermore, employees responsible for procurement perform on-site checks of human rights conditions. These were conducted in South Africa in fiscal 2015 and in Australia and Vietnam in fiscal 2016. Each, supplemented with interview results, provided information on matters such as health, hygiene, safety, disaster preparedness, and local environmental concerns. In managing forests, the Group devotes significant attention to protecting the culture and traditions of residents in each region of its overseas afforestation operations (see page 30).

#### ● Education and training

In pursuit of personnel management cognizant of human rights, the Nippon Paper Group has employees responsible for personnel matters participate in training courses hosted by government agencies. The Group is also conducting human rights education for personnel in charge of CSR, new hires and newly appointed managers.

# Occupational Safety and Health

By working daily to uncover inherent risks, maintaining a workplace environment in which employees can go about their duties without undue anxiety

## Basic Stance

### Securing safety and health, and preventing disasters

Providing a safe work environment is a basic responsibility of any business. In fulfilling this responsibility, the Nippon Paper Group advances initiatives focused on safety and health, and disaster preparedness.

Maintaining an unwavering daily commitment to uncovering and minimizing risks is key to that effort. Consistently engaging in sound management while responding to the trust of employees is also important for building a pleasant and comfortable workplace that helps to maintain and improve employees' health. We have created labor safety and health systems and continuously strive to prevent accidents and provide safe, pleasant working environments, based on the Philosophy and Basic Policy on Safety and Health Measures established in 2004.

#### Philosophy and Basic Policy on Safety and Health Measures

(established on October 1, 2004)

##### Philosophy

In addition to acknowledging that it is the company's duty to guarantee safety and health, and to strive to develop pleasant, improved working conditions, we pledge to work ceaselessly to prevent any and all accidents, minor or major.

##### Basic Policy on Safety and Health

1. To respect the Industrial Safety and Health Law.
2. To establish self-imposed standards and step up daily management.
3. To set up a management structure and clearly define roles, responsibilities, and authority.
4. To strive to improve safety and health training.
5. To develop and maintain a safe, pleasant working environment.

##### Basic Policy on Safety and Risk Prevention

1. To respect laws and regulations pertaining to safety and risk prevention.
2. To establish self-imposed standards and step up daily management.
3. To set up a management structure and clearly define roles, responsibilities, and authority.
4. To strive to improve safety and risk prevention education and training.
5. To work in cooperation with related government and local communities and share information.

## System to Promote Occupational Safety and Health

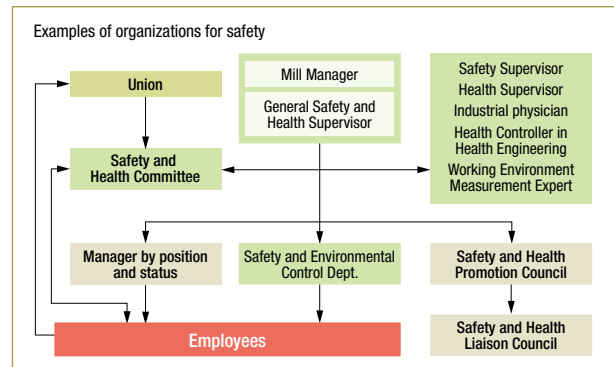
### To build a safe workplace environment

The Nippon Paper Group has established the Safety and Disaster Prevention Committee, which coordinates Group-wide occupational safety and health, disaster prevention

and security measures.

At Nippon Paper Industries, labor and management occupational safety and health meetings are held once each year. The persons responsible for occupational safety and health from the head office, mills, and labor union come together to discuss a variety of issues, including the annual occupational safety and health management plan. Safety and health committees are also established at each mill and office. These committees deliberate on and determine important management matters and activity policies. Employees are notified of the details of decisions through department meetings and internal mill newsletters and then execute the determined activities.

### System to promote occupational safety and health



### Occupational safety and health management system

In 2009, the Nippon Paper Group implemented its own system for continuously pursuing occupational safety and health management activities at the organization level.

Under this system, a three-tiered approach is used for risk assessments by employees and at the management level,



Sharing expertise on safety (Nippon Paper Industries, Hokkaido Mill)

and information on risks and management measures, such as mutual risk assessments within a business location, is shared. To raise safety standards across the Group, events are held to share expertise in performing risk assessments.

### Mill safety audit system

The Nippon Paper Group conducts mill safety audits to raise the level of safety management. In addition, mutual safety audits among the Group companies were introduced in 2010. Audits are being improved from the bottom up by promoting closer communications within the Group.

# Occupational Safety and Health

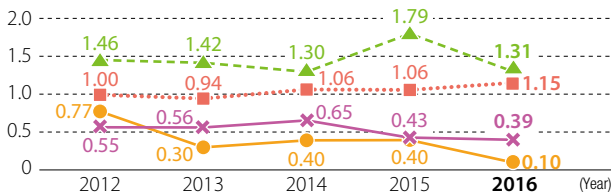
## Status of Occupational Accidents

### Eliminating occupational accidents

In fiscal 2016, the Nippon Paper Group (including subcontractors)\* experienced no serious occupational accidents and its frequency rate for occupational accidents requiring time off from work came to 0.39, with an occupational accident severity rate of 0.03. Despite a decrease in occupational accidents among Group employees, there was no decline in accidents involving employees of subcontractors and other companies performing work at Group production sites. To help ensure the safety of all workers, we are taking steps to enhance communication and coordination with subcontractors and other companies and devoting even greater attention to safety patrols and the provision of education and guidance.

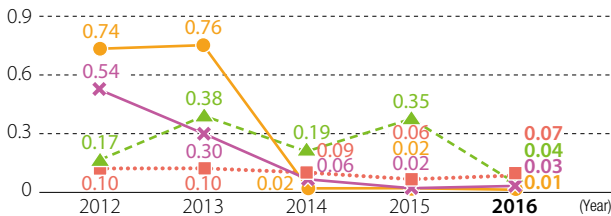
#### Frequency rate for lost-worktime injuries

Indicates how often occupational accidents occur, in terms of the number of accidents causing injuries or deaths per million work hours.



#### Occupational accident severity rate

Indicates the seriousness of occupational accidents, in terms of the number of workdays lost per 1,000 work hours.



Legend: Nippon Paper Group (orange circle), Pulp, paper and processed paper product manufacturing industry (green triangle), Manufacturing industry (red square), Nippon Paper Group (including affiliates) (purple cross).

\* The manufacturing facilities of Nippon Paper Industries Co., Ltd., Nippon Paper Creca Co., Ltd., Nippon Paper Papyrus Co., Ltd., and Kitakami Paper Co., Ltd.

## Efforts regarding Safety and Disaster Prevention

### Working steadily from various angles

#### ● Safety education

In its efforts to ensure high safety awareness, the Nippon Paper Group places considerable weight on safety education for all employees, including those in management.

Nippon Paper Industries puts in place an annual Occupational Safety and Health Management System plan at each of its mills and offices, which then implements various education programs covering every stage of an employee's career from initial hiring through to supervisor training. Constantly renewing safety awareness, we are endeavoring to achieve accident-free workplaces.

#### ● In-plant safety measures

Based on its mission of eliminating all personal injuries within its mills, Nippon Paper Industries has implemented safety patrols and education initiatives in collaboration with the labor union and subcontractors. In safety patrols, we provide instructions and guidance for immediately correcting unsafe conditions. As a principal employer, we also provide information, reference materials, venues, and other resources, and have confirmed that subcontractors are conducting safety education properly. Furthermore, we enhance workplace safety by providing guidance on, and encouraging voluntary efforts, including risk prediction and risk assessment before engaging in work.

#### ● Natural disaster and fire countermeasures

In preparation for natural disasters, each location of the Nippon Paper Group has created disaster preparedness manuals reflecting local hazard map information and the characteristics of their particular operations and geographic location. They also cooperate with local fire departments and other public safety authorities to conduct regular disaster preparedness training.

At Nippon Paper Industries, individual business locations undergo regular disaster prevention surveys by a company specializing in risk assessment.

#### ● Traffic safety initiatives

The Nippon Paper Group actively participates in traffic safety education and in various traffic safety campaigns of local police authorities. Every effort is made to ensure that all employees remain conscious of the need to drive safely.

## Efforts regarding Hygiene and Health

### Taking into consideration the importance of mental and physical health

The Nippon Paper Group strives to keep its employees healthy and to detect health problems in their early stages. For example, at Group companies that are members of the Nippon Paper Industries Health Insurance Union, examinations focusing on lifestyle diseases are performed together with regular physical examinations. In addition, industrial physicians regularly visit workplaces and the Group uses the results of these visits in efforts to improve working environments. The Group also provides medical examinations for the spouses of employees.

#### ● Tackling mental health

Nippon Paper Industries has organized Internet-based mental health care and counseling services for all employees. Under this system, employees are asked to complete an annual survey designed to detect needs for mental health care services.

# Creating Workplaces that Support Diverse Human Resources

With a deep respect for fundamental human rights and the unique characteristics of each individual, the Nippon Paper Group consistently recruits new graduates and actively employs women and people with disabilities.

## Basic Stance

### Developing a dynamic organization where diverse employees can demonstrate their capabilities

Employees with different personalities stimulating one another and helping each other deepen their knowledge serve to invigorate the workplace. Amid forecasts of a drop in Japan's working-age population, diversification of workforces is becoming increasingly vital to ensuring ongoing growth. Our aim is to be a vigorous organization emphasizing the spirit of Challenge, Fairness, and Teamwork - the values included in the Group Mission we definitively stated in 2015.

## Recruitment and Employment

### Advancing discrimination-free hiring

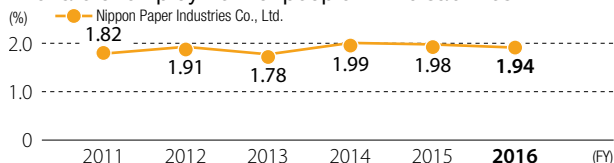
The Nippon Paper Group employs over 13,000 employees in and outside of Japan. In its efforts to fulfill its responsibilities to communities, the Group strives to ensure stable employment while continuously recruiting new employees.

Furthermore, based on its Philosophy and Basic Policy on Human Rights, Employment and Labor, the Group promotes discrimination-free recruitment and employment. The Group employs a selection process that bases decisions on test and interview results. Factors including nationality, place of birth, gender and level of school completed have no place in selection decisions.

#### ● Hiring of people with disabilities

With uneven hiring performance at its various business sites, Nippon Paper Industries Co., Ltd. did not achieve the statutory 2.0% employment rate for people with disabilities. To achieve a steady improvement in performance, action plans for hiring people with disabilities will be developed and executed at individual business sites.

#### The rate of employment of people with disabilities



#### ● Promoting the employment of elderly persons

The Nippon Paper Group has implemented its Reemployment System to respond to the needs of a super-aging society and to facilitate the passing on of skills. In fiscal 2002, Nippon Paper Industries introduced a reemployment system to allow employees to work up to the age of 65. And in response to the amended Law Concerning Stabilization of Employment of Older Persons, in effect from April 2013, the Company prepared new rules that allow employees of retirement age to continue working based on their desire and skills, at least until they begin to receive pensions.

## Employment data

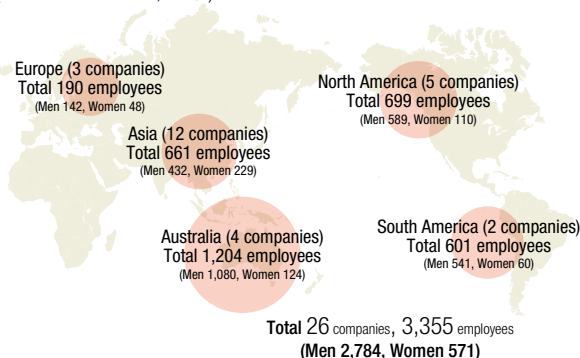
	Units	FY2016
No. of employees on a consolidated basis <sup>1,2</sup>	Persons	13,057
Men	Persons	11,691
Women	Persons	1,366
Overseas	Persons	2,810
Men	Persons	2,468
Women	Persons	342
Percent of upper management from the local community	%	74.1
New graduates hired <sup>3</sup>	Persons	265
Men	Persons	239
Women	Persons	26
Mid-career hired <sup>3</sup>	Persons	163
Men	Persons	141
Women	Persons	22
Average age of employees <sup>1,3</sup>	Age	43.3
Men	Age	43.3
Women	Age	43.1
Average years of employment <sup>1,3</sup>	Years	19.1
Men	Years	19.2
Women	Years	18.2
Turnover rate <sup>1,3</sup> (Includes employees leaving at the mandatory retirement age)	%	2.9
Dispatched workers <sup>1,3</sup>	Persons	77
Men	Persons	27
Women	Persons	50

<sup>1</sup> Fiscal year end

<sup>2</sup> Data scope: Consolidated companies

<sup>3</sup> Data scope: Consolidated companies in Japan

## Numbers\* of overseas subsidiaries and employees by region (as of December 31, 2016)



\* Overseas subsidiaries (including non-consolidated subsidiaries)

## Performance in reemploying workers who reach the mandatory retirement age<sup>1,2</sup>

(Regular employees of Nippon Paper Industries and consolidated companies in Japan)

Fiscal years	2011	2012	2013	2014	2015	2016
Nippon Paper Ind. Employees seeking reemployment	44	57	51	112	172	185
People reemployed	43	67	53	112	172	185
Consolidated companies in Japan People reemployed	—	—	—	309	327	331

<sup>1</sup> Beginning with fiscal 2014, figures cover consolidated companies in Japan and management employees. Until fiscal 2013, figures covered only non-management employees at Nippon Paper Industries.

<sup>2</sup> Depending on staffing conditions and other factors, the company may request employees to continue working beyond the retirement age, and some employees have agreed to do this. This is why the number of people reemployed sometimes exceeds the number of retirees requesting to be reemployed.

# Creating Workplaces that Support Diverse Human Resources

## Women in the Workplace

### Creating greater opportunities for women

Organizational invigoration, and securing human resources against the backdrop of a declining birthrate, are two considerations that add to the importance of giving women opportunities to succeed in the workplace. The Nippon Paper Group, with the establishment of a Human Resources Planning Office in fiscal 2015, is creating conditions that promote their participation here.

#### Case

#### Diversity seminar (Nippon Paper Industries Co., Ltd.)

Creating work environments that embrace diversity and enable women and all other employees to exercise their full potential is essential for maintaining and strengthening competitiveness. Nippon Paper Industries Co., Ltd., therefore, held a diversity seminar in September 2016 to provide managers with an opportunity to examine the importance of promoting diversity.

In the first part of this two-part seminar, representatives from the CSR Division and the Human Resources Planning Office of the Personnel Dept. provided an overview of social trends and the Company's career development initiatives for women. In the second part of the seminar, Naoko Ishihara, the then editor-in-chief of Works magazine, published by the Recruit Works Institute, gave a talk on why maintaining and strengthening competitiveness relies on diversity in work approaches for all employees. Over 100 managers participated in the seminar and, based on their enthusiasm in asking questions, found that it provided much to think about.

### Responding to the Act on Promotion of Women's Participation and Advancement in the Workplace

In working to create conditions that enable women to advance their careers, Nippon Paper Industries Co., Ltd. established in April 2016 an Action Plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

#### Action Plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace

(Adopted by Nippon Paper Industries Co., Ltd. in April 2016)

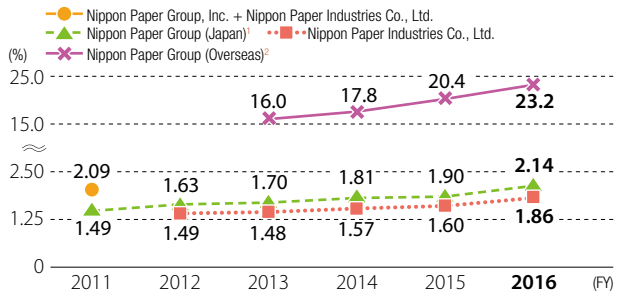
1. Make women at least 25% of new graduate hires for career-track positions.
2. For career-track women hired 8 to 12 fiscal years ago\*, achieve an average continuous employment rate that is at least 80% that of the rate for men.
3. To expand the range of roles performed by women at production sites, identify issues that would arise with the assignment of women to each workplace, consider solutions for these issues, and develop concrete plans for the workplaces to which women will be assigned.

\* Women who joined the company during the fiscal years 2004 to 2008.

### Female management participation and recruiting

At Nippon Paper Industries a large proportion of jobs is in mill settings and so low recruitment of women in the past is a major reason for their low participation in our management ranks now. To remedy this situation, and double the participation of women in management by fiscal 2020, we are expanding the range of workplaces to which women are assigned.

Percentage of female employees in management (consolidated entity in Japan)



Beginning with fiscal 2013 percentages have been adjusted retroactively to exclude associate directors, employees commissioned for specific purposes, employees on temporary assignment from other companies, and other non-full-time personnel to present percentages of only full-time employees.

1 Figures are for the Nippon Paper Group's consolidated companies in Japan.

2 Includes all managers of sections and higher level organizational units as of December 31.

### Hiring for career-track positions (Nippon Paper Industries Co., Ltd.)

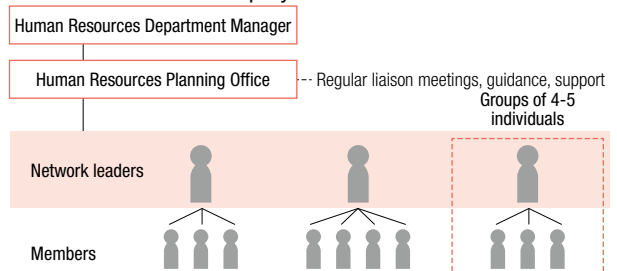
Fiscal years	2012	2013	2014	2015	2016
Career-track hires	43	56	34	52	65
Women	6	8	7	11	11
Men	37	48	27	41	54
Percent women	14	14	21	21	17

\* Figures reflect total new hires (including mid-career hires) by category for each fiscal year.

### Follow-up system

At Nippon Paper Industries Co., Ltd., female career-track employees are organized in a network that spans the company, crossing organizational unit and workplace boundaries. Within the network, veteran employees collaborate with the Human Resources Planning Office to help their younger colleagues address concerns and build careers. In addition, we conduct career training aimed at helping female career-track employees overcome career building challenges with the assistance of their immediate supervisors.

#### Female career-track employee network



## Promoting Work-Life Balance

### Realizing a balanced workplace environment

The Nippon Paper Group strives to establish an ideal workplace environment that allows employees to reach their full potential while balancing work and family needs.

Nippon Paper Industries, for example, has introduced flextime work hours for its head office, research facilities, branches, and the administrative sections of its mills.

#### ● Work-style reform approaches

To encourage work-style reform, Nippon Paper Industries Co., Ltd. is striving to reduce the overall number of hours workers spend on the job. The Company believes that helping individual employees maintain a desirable work-life balance will result in more vibrant working environments and that the time and energy employees gain will ultimately result in added growth for the Company.

#### ● Helping employees balance work and child care

The Nippon Paper Group revised its action plan, in April 2016, and strives to support its employees in maintaining work and child-care balance in accordance with Japan's Act on Advancement of Measures to Support Raising Next Generation Children.

As one example, Nippon Paper Industries has implemented systems that exceed the provisions stipulated under Japan's Child Care and Family Care Leave Act. This includes extensions to the exemption period for overtime working hours, the application period for child care and paid leave for child rearing. Based on these actions, we have been designated by Japan's Minister of Health, Labour and Welfare as a company that supports child rearing and have obtained the right to display the Kurumin mark.

#### Data on balancing work and personal lives

	Unit	2016
Employees taking child-care leave <sup>1</sup>	Persons	26
Men	Persons	0
Women	Persons	26
recently giving birth	%	100
who returned to work	%	100
Employees taking maternity/paternity leave <sup>1</sup>	Persons	186
Men	Persons	160
Women	Persons	26
Average number of days taken for maternity/paternity leave <sup>1</sup>		
Men	Days	3.0
Women	Days	64.9
Employees taking nursing-care leave <sup>1</sup>	Persons	1
Total number of working hours <sup>2</sup>	Hours	1,927
The rate of annual paid leave taken by employees <sup>2</sup>	%	68.3

<sup>1</sup> Data scope: Consolidated companies in Japan

<sup>2</sup> Data scope: Non-management employees of Nippon Paper Industries

## Initiatives Aimed at Developing Human Resources

### Support for the improvement and exercise of professional skills

The Nippon Paper Group has identified five key elements for providing employees with equal opportunities for learning and for creating a framework enabling ambitious, capable individuals to further enhance their skills.

#### (1) Support for self-development and voluntary skill acquisition

The Nippon Paper Group supports employee self-development and voluntary skill acquisition through means such as group training and rewards for acquiring professional qualifications. In addition, job-level-based training, such as that for new hires and new managers, is conducted jointly by Group members to promote the development of employees throughout the Group. And training is pursued from a broad perspective; job-level-based training at mills, for example, is conducted not just for a single mill but together with neighboring mills.

Furthermore, Group employees can meet self-determined skill needs by taking any of approximately 150 correspondence courses and joint training. Every employee



Internal training session

is offered not only the ability to choose courses they want to take but also precious, mutually stimulating opportunities for joint training with colleagues from other Group companies.

#### Training time for individual employees (Consolidated companies in Japan)

7.6 hours/year

#### (2) Assignment of the right people to the right positions

Nippon Paper Industries periodically surveys employees to ascertain what kind of job assignments they wish to have. Based on the results of these surveys, every effort is made to match employee strengths with job types.

In addition, the Nippon Paper Group has implemented an internal recruitment system. Under this system, individual employees can consider their skills and how they want to develop their career, and then apply for a position posted by a Nippon Paper Group member.

#### (3) Development of employees capable of acting on a global stage

Nippon Paper Industries and other Group companies have put in place programs such as one for overseas study. This program is supported by the dispatch of personnel to overseas education institutions and by overseas assignments to the various offices of Nippon Paper Group. Through actions such as this, the Company is striving to strengthen awareness and education, so that all of its career-track employees will be capable of taking on overseas assignments.

# Creating Workplaces that Support Diverse Human Resources

## Case

### Adoption of an overseas internship / training system

As part of its effort to develop human resources capable of undertaking overseas assignments, Nippon Paper Industries Co., Ltd. has adopted an overseas-company internship system for administrative employees. The goal of this system is to boost employee interest in working overseas by having them experience daily life and culture while working for a period of one month at an overseas company (mainly in Asia) that is not a member of the Nippon Paper Group. In fiscal 2016, the first year of the program, 11 employees participated in internships in three countries.

## Case

### Implement small group activities globally

The Nippon Paper Group is implementing small group activities in and outside Japan. The purpose of these activities is to achieve improvements in areas such as operations, quality, and costs. In fiscal 2016, Nippon Paper Industries Co., Ltd. held its 24<sup>th</sup> company-wide presentation meeting, while the Group held its eighth presentation meeting, with participation by 10 Group companies located in Japan and overseas. The presentations helped attendees to better understand their own workplaces and consider good practices from other workplaces in Japan and abroad.

#### (4) Reinforcement of production frontline capabilities

Human resource capabilities at the production frontline represent the heart of the manufacturing process. The Nippon Paper Group passes on to each generation the technologies and skills nurtured over a lengthy period to maintain and improve the capabilities of its human resources.

Nippon Paper Industries created a committee to strengthen frontline capabilities in fiscal 2006. Nippon Paper Industries has organized and is operating systems under which technologies and skills that should be carried forward at individual production sites are identified, and training is prioritized based on analyses of the strengths and weaknesses of, and skills needed by, individuals.

#### (5) Support for the planning of lives and careers

Given the hike in the public pension eligibility age and increasing diversification of lifestyles, employees must consider a number of factors when planning their careers and life after retirement. Therefore, core companies within the Nippon Paper Group offer Life Plan Seminars to enhance employee understanding of each company's and the government's programs, as well as the need to develop meaningful life plans that include health management.

## Fair Evaluation and Compensation

### Evaluation based on skills and performance

As part of its efforts to practice fair and transparent personnel evaluations, Nippon Paper Industries lays out clear evaluation criteria and conducts review sessions, in which managers provide feedback on performance evaluations, for all non-management employees. Review sessions are an opportunity to ensure that employees understand and accept evaluation results and for setting the skill development direction for individual employees. For decisions on promotions to management and other positions, the assistance of outside companies specializing in human resource assessment is called upon to enhance objectivity.

## Industrial Relations

### Improving the workplace environment through labor and management consensus

The Nippon Paper Group strives to maintain a sound relationship with its employees. Labor unions have been formed at Nippon Paper Industries and the majority of its consolidated subsidiaries. Irrespective of the existence of a labor union, however, every effort is made to maintain smooth industrial relations at all Group companies.

For example, under the common objective of building a better company, Nippon Paper Industries has established a variety of committees that cover such fields as the operations of labor and management agreements, and staffing adjustments. Labor-management agreements provide the basis for a variety of initiatives, as well as efforts to improve the workplace environment. On the top of these endeavors, regular central meetings of both sides' leaders provide a forum to discuss diverse issues including corporate management and working conditions.

At Nippon Paper Industries, there are 4,766 labor union members (as of March 31, 2017). Workplaces are union shops and all of the employees covered by collective bargaining agreements are union members.

#### ● Discussions of working conditions

Major changes to working conditions, such as alterations to personnel systems and personnel downsizing, are in principle implemented on the basis of prior discussions between labor and management. Nippon Paper Group companies do not unilaterally impose changes on employees.

Routine communication is critical for gaining employee understanding of company actions. The Group strives to engage in dialog with employees and labor union to provide such information as financial results.