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### Profile

After leaving the doctoral program at the Sophia University Graduate School of Economics, Professor Kozuma became a research assistant at the Nagoya Institute of Technology and worked at the Limperg Instituut, Inter-University Institute for Accounting and Auditing, in the Netherlands, as a guest researcher funded by the Dutch government. He became an associate professor at the University of Shizuoka School of Administration and Informatics, and then took up his current position as professor in the Faculty of Economics at Sophia University. He has held successive positions as the chair or member of various CSR- or environment-related advisory panels, study groups, and research conferences for the Ministry of the Environment; the Ministry of Economy, Trade and Industry; the Ministry of Land, Infrastructure, Transport and Tourism; the Cabinet Office; and the Japanese Institute of Certified Public Accountants. In fiscal 2017, Professor Kozuma chaired a committee considering revisions to the Environmental Reporting Guidelines issued by Japan's Ministry of the Environment.

## Third-Party Comments

A key point for judging the quality of sustainability reporting is the appropriateness of reporting boundaries. In the case of a publicly listed company, reporting boundaries, even for a CSR report, which is a voluntary disclosure, must cover the entire corporate group, in the same way that financial statements are prepared on a consolidated basis. In Japan, where many companies find it difficult to follow this simple, reasonable rule in setting their CSR reporting boundaries, the Nippon Paper Group is a precious example of a company preparing CSR reports on a consolidated basis. The Nippon Paper Group places great emphasis on transparency and its commitment to thorough disclosure is manifested in its extension of the environmental information reporting scope to cover all principal manufacturing sites, including nonconsolidated subsidiaries.

Many points concerning the Nippon Paper Group's value chain activities also bear special mention. Though it is now common practice for CSR management to include the value chain in the management scope, actual practice is often perfunctory and ineffective. In the case of the Nippon Paper Group, however, the company has continuously undertaken multidimensional assessments of both value-chain impacts of, and issues stemming from, its business activities. For the fiscal year under review, the company also examined connections between these business activities and SDGs. Regarding CSR procurement, a key tool for managing supply chain risk, the Nippon Paper Group collects information through surveys and interviews, but it also goes to great lengths to gather information through other means as well. For example, it uses stratified surveys and confirmation procedures to ensure it does not purchase illegally logged timber, and dispatches employees responsible for procurement to supplier locations to visually confirm that human and labor rights are being protected throughout the supply chain.

One reporting item of special interest for the fiscal year under review is the assessment of water supply risk related to the company's water intake. Until now, reporting on water management has focused mainly on water quality. Across the globe, however, the crux of the matter when it comes to water risk is the serious impacts industrial users of water can have on local water systems. Environmental management to reduce these impacts, therefore, is critically important. The Nippon Paper Group's disclosures on this matter, however, provide no insight on conditions at their overseas manufacturing sites, where the risks are greatest. This point bears improvement going forward. Another aspect of the 2017 report that stood out was the company's use of a 3D, integrated materiality assessment of impacts on stakeholders, sustainability, and business activities. This approach for presenting information is unique and deserves praise.

Looking to the future, two areas in which the company should improve its performance are employment of people with disabilities, a point I have previously cited, and accident-prevention for employees of affiliates and subcontractors. Regarding the former, in particular, the company's performance is below the legally mandated employment percentage and trending lower year by year. This is a concern especially in light of the phased raising of the legally mandated employment percentage set to begin in April 2018.

## Action in Response to Third-Party Comments

The Sustainability Report discusses the Nippon Paper Group's CSR initiatives. Sustainability Report 2017 presents SDGs that have great relevance for the Group in its value chain and it clearly shows how we remain cognizant of these SDGs as we pursue R&D from a medium-to-long-term perspective. It improves on prior reports by presenting information that is more extensive and clearly stated. This is achieved, for example, by including more extensive coverage of matters such as corporate governance and by using illustrations to explain processing of exhaust gas and wastewater. At the same time, the report has been slimmed down by relying on the Nippon Paper Group's website for disclosures of information including the guideline comparison table and detailed data section.

Professor Kozuma gave positive assessments of the propriety of our reporting boundaries, our value chain activities, CSR procurement initiatives, and other aspects of our CSR endeavors. We see this as resulting from the steady stream of improvements we have made over the years. At the same time, we clearly recognize that we must make additional efforts to improve our employment of people with disabilities – a point Professor Kozuma commented on last year, as well – and to prevent occupational accidents. The Nippon Paper Group is committed to meeting its corporate social responsibilities, so that we can coexist with society. We look forward to hearing your candid opinions and comments on this report.



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