

Policy and Management

Basic Stance

The Nippon Paper Group maximizes renewable woody resources through diverse technology and know-how, thereby providing products that contribute to building a sustainable society. As the use of woody resources is indispensable to the Group, it has constructed a system to continually procure woody resources that are generated from sustainable forest management.

In 2005, the Group established its Philosophy and Basic Policy Concerning Raw Materials Procurement. Based on this philosophy and basic policy, the Group practices sustainable raw material procurement through supply chain management. It also promotes dialogues with stakeholders, and constantly works on improving the level of raw material procurement with consideration for the environment and society.

Philosophy and Basic Policy

- The Group also communicates the content of this Philosophy and Basic Policy to suppliers around the world by preparing both Japanese and English language versions and displaying them on our website.
- As defined in this Philosophy and Basic Policy, the Group ensures that the entire supply chain has appropriate human rights and labor practices. The Group requests that its suppliers pay care and consideration to human rights and labor practices, and conducts regular questionnaire surveys and interviews to audit important suppliers regarding these concerns.

Philosophy and Basic Policy Concerning Raw Materials Procurement (formulated on October 5, 2005)

Philosophy

We are committed to establishing a reliable raw materials procurement system through global supply chain management in consideration of the environment and society.

Basic Policy

1. Environmentally friendly raw materials procurement

- (1) We procure woodchips, lumber and pulp from forests under sustainable forest management.
- (2) We use and deal in no illegally logged lumber and we support the eradication of illegal logging.
- (3) We make active use of recycled materials to help build a recycling-oriented society.
- (4) We make appropriate procurement of chemical substances in compliance with relevant laws and regulations.
- (5) We build traceability systems to ensure the above policies are practiced throughout the supply chain.

2. Socially aware raw materials procurement

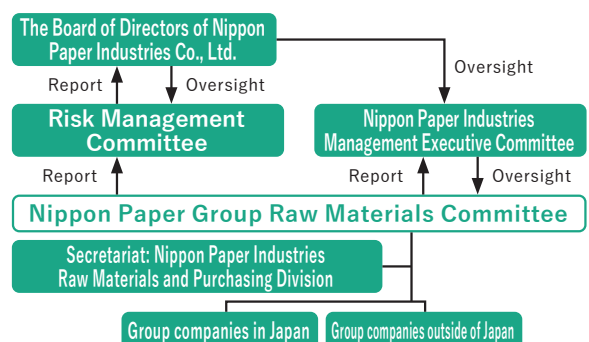
- (1) We pursue fair deals with suppliers on equal terms.
- (2) We ensure that the entire supply chain has appropriate human rights and labor practices.

3. Promotion of dialogues with stakeholders

- (1) We engage in dialogues with stakeholders to improve the quality of our raw materials procurement in constant consideration of the environment and society.
- (2) We proactively disclose information so that our initiatives are better known.

Structure for Promoting Raw Materials Procurement Management

The Group has established the Nippon Paper Group Raw Materials Committee, which is chaired by the General Manager of the Raw Materials Division at Nippon Paper Industries. This committee discusses important issues related to raw material procurement for the entire Group, such as policies of raw material procurement.



Sustainable Procurement of Wood Raw Materials

Basic Stance

— Key points of sustainable wood resources procurement

- Sourcing from sustainable forests(sustainability)
- Clearly identifying the origin of timber(traceability)
- Maintaining full accountability(accountability)

Sustainable forest management and resource procurement

— Sustainable forest management

Forestry management considers not only economic, but also environmental and social sustainability

The Nippon paper Group definition of sustainable forest management

- 1) Biodiversity is preserved.
- 2) The productivity and soundness of the forest ecosystem is maintained.
- 3) Soil and water resources are conserved.
- 4) Diverse social needs are satisfied.

— Sustainable Procurement of Wood Raw Materials

i. Procurement from own forest :

- The Group procures woody raw materials with proper planning and management. The group also obtains third-party forest certification regarding the sustainability of these forests.
 - ▶ Forest certification acquisition rate at Japan and abroad : 100%
- The Group is promoting overseas afforestation business and aiming for stable procurement by utilizing its own resources.

ii. Procurement from other forests :

- The Group is working to build a procurement system that enables it to trace woody raw materials back to the forests that they were sourced from.
- The Group utilizes forest certification schemes as a tool to check that procurement of woody raw materials is being conducted appropriately.

iii. Enhancement of the Group's supply chain management

- The Group carries out the following as a supplier risk assessment.
 - ▶ New supplier : By conducting site visits and supplier questionnaires, the Group confirms whether it meets the Nippon Paper Group's procurement policy and whether it has any risks before starting trading.
 - ▶ Existing supplier : Check for risks through regular site visits and annual supplier surveys.
- The Group checks the status of forest certification at the time of contract with the supplier.

iv. Improve employee skills related to procurement

- The company provides in-house training on sustainable resource procurement which is taken by all employees involved in the procurement of wood raw materials.

→ About Forest Certification
<https://www.nipponpapergroup.com/csr/forest/sustainability/certification/> (Japanese only)

Eradicating Illegal Logging

- Nippon Paper Industries, Nippon Paper Papyrus and Nippon Paper Creca have established a Legality Certification Due Diligence System Manual for the purpose of verifying the legality of the wood raw materials that they procure. The companies carry out due diligence all of wood raw materials procured both in Japan and overseas.
 - ▶ New business partner: Implemented at the time of new transaction
 - ▶ Existing business partners: Conducted regularly every year
- In FY2019, the Group carried out due diligence and verified the legality of all of its wood raw materials.

→ Legally Certified Due Diligence Manual
<https://www.nipponpapergroup.com/csr/forest/sustainability/DDmanual20180806.pdf>(Japanese only)

— Response to the Clean Wood Act

In 2018, Nippon Paper Industries and Nippon Paper Lumber completed its registrations as both a Type 1 and Type 2 Wood-related Business under the Act on Promotion of the Distribution and Use of Legally Harvested Wood (the Clean Wood Act), which took effect in 2017.

Nippon Paper Papyrus and Nippon Paper Creca, also completed their registrations in 2019. In compliance with this law, the companies confirm the legality of the covered items they handle.

Registration details

Business registered	Registration number	Effective registration period	Institution conducting registration	Products
Nippon Paper Industries	JIA-CLW-I, II No. 17024	March 19, 2018 to march 18, 2023	Japan Gas Appliances Inspection Organization	Wood pulp and copier paper, form paper, coated paper for inkjet color printers, uncoated printing paper, coated printing paper, and tissue paper and toilet paper that use wood pulp
Nippon Paper Papyrus	JIA-CLW-I, II No. 19001	April 26, 2019 to April 25, 2024		
Nippon Paper Creca	JIA-CLW-I, II No. 19002	April 26, 2019 to April 25, 2024		
Nippon Paper Lumber	JPIC-CLW-I,II 54	July 6, 2018 to July 5, 2023	Japan Plywood Inspection Corporation	Logs, sawn boards and square timbers, single and sliced veneers, plywood and laminated veneer lumber and laminated wood, wood materials for wooden pallets, chips, or flakes

Action Plan for Wood-Based Raw Material Procurement

The Nippon Paper Group has put in place its Action Plan for Wood-based Raw Material Procurement to practice CSR procurement, in keeping with the Group’s Philosophy and Basic Policy Concerning Raw Materials Procurement.

→ Action Plan for Wood-Based Raw Material Procurement (Japanese only)
<https://www.nipponpapergroup.com/csr/forest/sustainability/actionplan/>

Sustainable woody resource procurement scheme

		Philosophy and Basic Policy Concerning Raw Materials Procurement	
Action Plan for Wood-based Raw Material Procurement			
		Japanese Resources	Overseas Resources
Basic Policy and Scheme		<ul style="list-style-type: none"> ●Based on verifications by organizations approved by forest, timber or lumber industry organizations specified in the Guideline for Verification of Legality and Sustainability of Wood and Wood Products established by Japan's Forest Agency in connection with government procurement initiatives to fight illegal logging in accordance with the Law on Promoting Green Purchasing. 	<ul style="list-style-type: none"> ●Respond to the requirement as an individual companies using its own approach to verification, as provided in the Guideline for Verification of Legality and Sustainability of Wood and Wood Products. ●Based on the Japan Paper Association's guideline for measures against illegal logging.
Implementation content	Overall	●Confirmation based on a due diligence system (DDS) for verifying legality under the Clean Wood Act	
	Confirmation of Legality and Traceability	<ul style="list-style-type: none"> ●Traceability based on the Guideline for Verification of Legality and Sustainability of Wood and Wood Products established by Japan's Forest Agency ●Confirmation of basic information relating to forest operations. Information examples include compliance with laws and regulations, tree species, and whether forest certifications have been obtained. 	<ul style="list-style-type: none"> ●On a ship by ship basis, the relevant documents confirm that wood logging areas and suppliers comply with relevant laws and regulations and do not contain illegal logging materials. ●On-site checks by employees assigned to local offices ●Questionnaires and local interviews (Every effort is made to enhance traceability by confirming compliance with statutory requirements regarding forest management, tree species, and the acquisition of forest certifications.) <p>※In FY2020, it was determined, based on questionnaire responses and shipping and other documents provided by each supplier, that no illegally harvested woodchips or pulp were procured from overseas suppliers.</p>
	Confirmation of sustainability	<ul style="list-style-type: none"> ●Based on information from sources such as results of supplier surveys*(once a year) and local interviews, the following has been confirmed. · Policies or systems have been established for addressing human rights and labor matters. (Workers' collective bargaining rights and free association rights, No forced labor, No child labor or discrimination, Being protected in health and safety, Considering the rights of indigenous peoples) · Fair transactions have been conducted. · Social contribution initiatives have been undertaken to improve relations with local communities. · The environment has been considered. · Logging and forest management activities that are considered to protect biodiversity have been conducted. · Biodiversity surveys have been conducted. · Forest certification has been obtained. <p>*target : Import chip, domestic and import pulp</p> <ul style="list-style-type: none"> ●The Group disseminates its procurement policy by describing it in the supplier questionnaire (Japanese and English). 	
	Independent Audits	<p>The following have been implemented for all procured wood resources.</p> <ul style="list-style-type: none"> ●Annual audits by the Japan Paper Association's illegal logging monitoring project. ●Annual risk assessments based on the due diligence system of the Programme for the Endorsement of Forest Certification (PEFC), a Forest certification organization. 	
Implementation Results (FY 2020)	359 chip suppliers, 4 pulp suppliers (Implemented for all suppliers) Confirmation of conformance with the above action plan	23 chip suppliers, 10 pulp suppliers (Implemented for all suppliers) Confirmation of conformance with the above action plan	



Third-Party Sustainable Forest Management Validations

Forest certification system: System for the certification by third-party organizations that forests are being sustainably managed



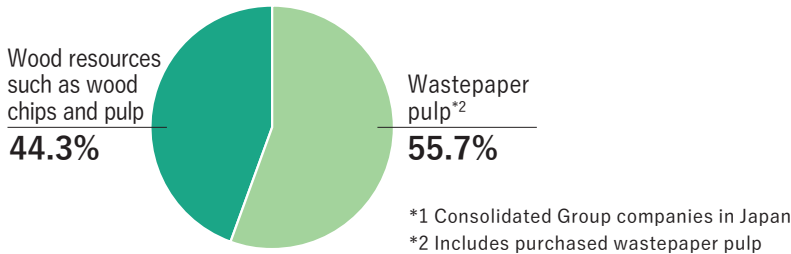
At Nippon Paper Industries Co., Ltd.,

- All company-owned forests in Japan and overseas have received forest certifications.
- All wood-based raw materials have been certified by the PEFC or FSC®
(All procured chips have been produced with wood from forests with an FM certification or have undergone a risk assessment for the CoC certification.)

Current Status of Raw Materials Procurement

Current Status of Paper Raw Materials Procurement (Nippon Paper Group)

Breakdown of main raw materials*1 (FY2020)



Initiatives aimed at stable wastepaper procurement

- The Group continues to maintain the stable procurement system that it has built over the course of many years in cooperation with the wastepaper industry.
- For the purpose of stable resource circulation to newspapers, the Company are building and expanding a “Closed Loop System” in which we directly purchase used newspapers collected by newspaper companies.
- In order to promote paperizing, in response to the global trend of eliminating the use of plastic by replacing it with paper, the Company is working on constructing a recycling system for presently unusable wastepaper including used food trays.

Amount of used paper and recycled pulp procured* (FY2020)

Used paper (kt)	Recycled pulp (kt)	Total (kt)
2,650	11	2,661

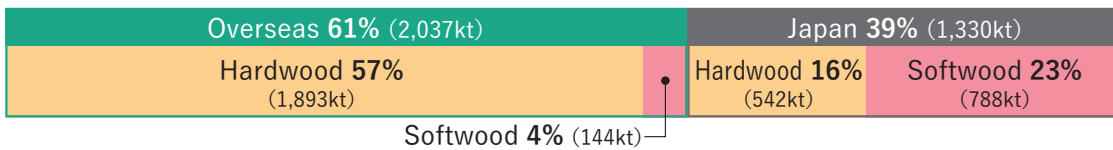
* Target of aggregation : Domestic consolidated companies excluding Cresia Kasuga

Initiatives aimed at stable wood resource procurement

Nippon Paper Industries procures most of the woody raw materials as wood chips and some as pulp.

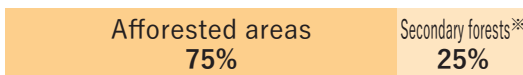
- ▶ Woodchips : About 60% from overseas, about 40% from Japan
- ▶ Woodchips from overseas : To ensure stable overseas procurement, sources of woodchip imports are diversified among Australia, South America, and other parts of the world.

Geographic breakdown of wood raw materials (chips) procured by Nippon Paper Industries (FY2020) (Bone dry units, kt=kilotonnes)



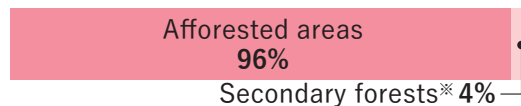
Hardwood resource breakdown (2,435kt)

*Factory acceptance base quantity



Softwood resource breakdown (932kt)

*Factory acceptance base quantity



**Natural forests as indicated here refers to either wood sourced from forests certified under certification schemes, wood sourced from secondary forests, or lumber waste wood chips that can be judged to be sustainable.

Tree species and countries of origin for overseas woodchips procured by Nippon Paper Industries (FY2019)

Hardwood

Country	Percentage	Species
Vietnam	31%	Acacia
Brazil	25%	Eucalyptus, Acacia
Australia	17%	Eucalyptus
South Africa	16%	Acacia
Chile	10%	Eucalyptus
Thailand	1%	Eucalyptus
Total	100%	

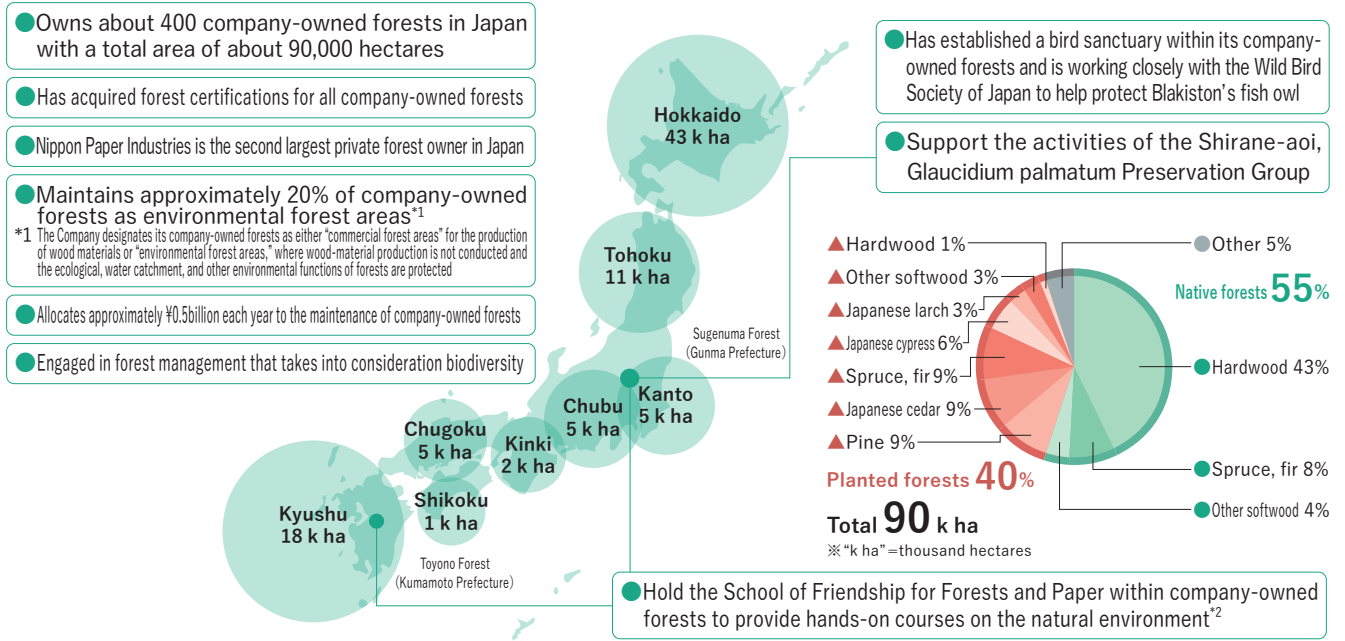
Softwood

Country	Percentage	Species
Australia	76%	Pinus radiata
Russia	17%	Yezo spruce
U.S.A	7%	Douglas fir
Total	100%	

Protecting and Nurturing Japan's Woody Resources

Sustainable Management of Company-Owned Forests in Japan

Nippon Paper Group has forests in Japan and carries out balanced and sustainable forest management which can fully demonstrate public interest functions such as forest biodiversity conservation and water source retention.



*2 Canceled in FY2020 due to the impact of COVID-19

→ Representative domestic company-owned forests (Japanese only)
<https://www.nipponpapergroup.com/csr/forest/own/japan/>

Forest Certification Status of Company-owned Forests in Japan

Company-owned Forests in Japan (by Region)	Certification system name	Date acquired
Hokkaido	SGEC	Dec. 2005
Tohoku	SGEC	Oct. 2007
Kanto/Chubu	SGEC	Oct. 2007*
Kinki/Chugoku/Shikoku	SGEC	Dec. 2006
Kyushu	SGEC	Mar. 2005

*Obtained for Kitayama Forest in Shizuoka Prefecture only in December 2003.

Breakdown of company-owned forests in Japan by IUCN(International Union for Conservation of Nature) (as of March 31, 2021)

IUCN Category		Commercial forest areas k ha	Environmental forest areas k ha	Total k ha	Percentage %	Environmental forest %	
I	Strict nature reserve Wilderness area	0	0	0	0	—	Protected area managed with the primary objective of scientific research or protection of wilderness
II	National park	0.6	4.5	5.1	6	88	Area managed with the primary objectives of protection of habitat and recreation
III	Natural monument	0	0	0	0	—	Area managed with the primary objective of protection of special natural phenomena
IV	Habitat/species management area	0	0	0	0	—	Area managed with the primary objective of preservation through management
V	Protected landscape/ seascape	2.5	0.7	3.2	4	22	Area managed with the primary objectives of protecting the landscape and recreation
VI	Managed resource protected area	0	0	0	0	—	Area managed with the primary objective of the sustainable use of natural habitat
Not applicable		68.9	12.4	81.3	91	15	
Total		72.0	17.6	89.6	100	20	

Invigorating Japan’s Forest Industry

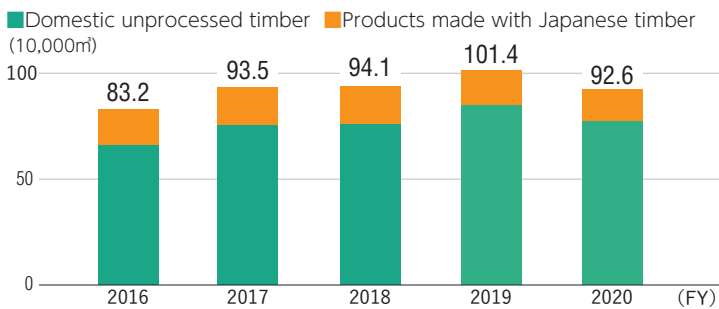
- The Group is promoting the maintenance of the domestic supply chain and the further use of domestic timber, with the forestry policy based on the basic policy of “green growth through the forest, forestry and timber industries” promoted by the Government of Japan.
- The Company is implementing initiatives to utilize 90,000 hectares of Company-owned forest in various regions of Japan as a field to support forestry revitalization.

— Promoting the use of domestic timber

- With its network for domestic timber collection in Japan and its ability to handle a comprehensive lineup of products—ranging from good quality timber for lumber use to lower grade timber for use as wood chips for paper manufacture and wood biomass fuels—Nippon Paper Lumber is actively developing its domestic timber business.
- The company has set the objective of handling 1 million m³ of domestic timber*, and has worked to increase its actual sales year by year. In FY2020, the figure became about 930,000 m³ due to the stagnation of economic activity due to the COVID-19 disaster.
- Nippon Paper Lumber will continue working to develop new applications and boost exports in order to utilize domestic timber and meet its goal of handling 1 million m³ of domestic unprocessed timber in FY2021.

* Does not include woodchips for paper manufacturing use.

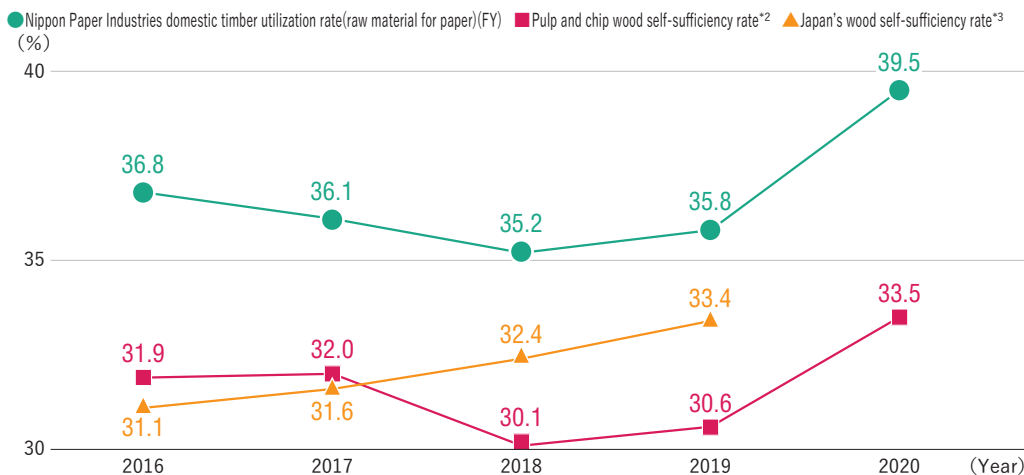
Domestic timber sales results by product type (Nippon Paper Lumber)



— Efforts to use more domestic wood as a raw material for paper

- The Company is working to increase the percentage of domestically produced wood it uses to make paper. This figure rose to 39.5% in FY2020.
- The volume of domestic wood chips used by the Company to make paper accounts for around 10% of Japan’s total timber demand. That volume is having an impact on the supply-demand balance of Japanese timber and Japan’s wood self-sufficiency rate.

Domestic timber utilization rate*1 (Nippon Paper Industries)



*1 The domestic (Japan) timber utilization rate includes sawmill residues.

*2 Source : Yearbook of Paper and Pulp Statistics issued by the Ministry of Economy, Trade and Industry of Japan.

*3 Source : Supply and Demand of Lumber(Lumber material self-sufficiency rate)issued by the Forest Agency of Japan

CASE STUDY

Contributing to Japanese Forestry Using Proprietary Technologies

The number of artificially planted forests in Japan that have reached the utilization stage is increasing. The regeneration logging and reforestation of these forest areas is expected, on the other hand, there are concerns over the nationwide shortage of seedlings available for reforestation purposes.

Applying the technology established by the Company through overseas afforestation business to produce large quantities of excellent seedlings in a short period of time, Nippon Paper Lumber has created a large-scale seed orchard in Japan’s Kyushu region (Hitoyoshi, Kumamoto) for the production of seedlings of specified Japanese cedar mother trees*. It is now expanding its sapling production operations across the country. The Company has also begun using those Japanese cedar mother tree seedlings in its company-owned forests and is utilizing them to enable sustainable forest management.



Seedlings grown from cuttings of specified Japanese cedar mother trees

*Specified mother trees:

Trees that are deemed suitable for harvesting cuttings to produce good-quality seedlings. They are designated by the Minister of Agriculture, Forestry and Fisheries for meeting specified criteria such as growth rate and wood quality.

CASE STUDY

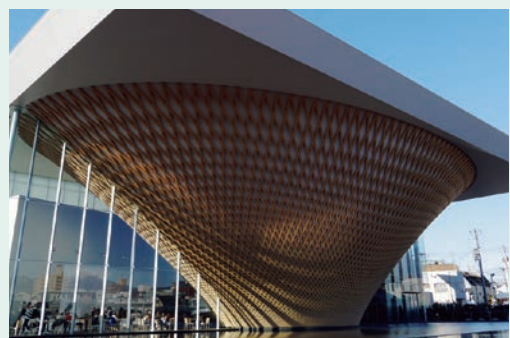
Public-private Collaboration in the Formation of Large-Scale Forestry Business Complexes (Intensification of Forestry Business)

Since 2011, as a private-sector company that owns a forest in the Itsuki region of Kyushu, the Company has been involved in an agreement to promote forest management in the region, alongside Kyushu Regional Forest Office, Itsuki Village, ITSUKI Forest Owner’s Cooperative, and others. Currently, the field environment is a large-scale forestry operation of over 20,000 hectares, and the partnership is engaged in reasonable road building and efficient forestry operations. In FY2021, it is planning cooperative shipping with the aim of building a stable supply chain for timber.

CASE STUDY

Supply of SGEC-Certified Wood

Nippon Paper Lumber was the first company in Japan to acquire SGEC CoC certification and is capable of delivering SGEC-certified wood from source forests—including those owned by the company—to end users. In 2018, the Company used Nippon Paper Lumber’s CoC certification to supply SGEC-certified Japanese cypress from its Kitayama company-owned forest (Fujinomiya, Shizuoka) to the Exhibition Building Wooden Grid Project at the Mt. Fuji World Heritage Center, Shizuoka. This project was the first in Japan to acquire SGEC/PEFC CoC Project Certification, through local and cross-industrial cooperation between the forestry, processing, distribution, and construction industries.



Mt. Fuji World Heritage Center, Shizuoka

SGEC-certified lumber from company-owned forests was also supplied for use in the construction of the Japan National Stadium, which was completed in 2019.

Overseas Afforestation

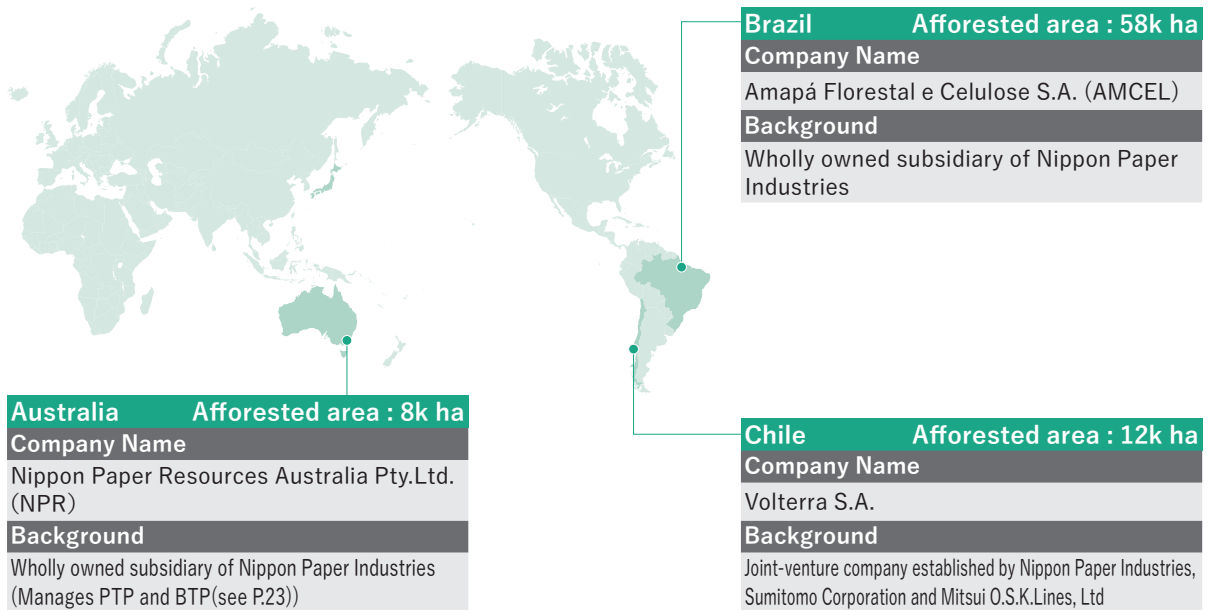
Tree Farm Initiative

The “Tree Farm Initiative” is the Company’s concept for overseas afforestation projects. The initiative aims to achieve sustainably procured raw materials through repeated cycles of growing, harvesting, and using trees, similar to the way crops are farmed.

→ Tree Farm Initiative (Japanese only)
<https://www.nipponpapergroup.com/csr/forest/afforest/>

Overview of overseas forests under Nippon Paper Group management (as of December 31,2020)

Total forest area:78k ha



- Recognizing the importance of building positive ties with the local communities in and around its forests and of mutual development with them for the sake of sustainable forest management, the Group pays particular attention to the concerns of local residents, including indigenous peoples. It takes into consideration the cultures and traditions of each region, as well as the natural environment and ecosystems. The Group also contribute to local economies by creating employment opportunities and providing support for educational activities (see P.84).
- The Group perform afforestation work on grasslands, former farms and pastures, and on harvested plantation land, selecting and planting species, focusing mainly on fast-growing Eucalyptus, according to individual climatic conditions and materials available for making paper.
- In order to maintain a balance between areas planted with Eucalyptus and the biodiversity needs of each region, the Group manages afforested areas appropriately with consideration of the landscape, such as keeping native waterside forests where the potential effects on the ecology are large.
- Afforestation project companies in each location engage in afforestation projects that pay consideration to biodiversity, have established protected zones on company-owned land for the protection of biodiversity, and are engaged in initiatives such as wildlife (animal and plant) habitat research (see P.50).
- The afforestation project companies conduct regular visits and meetings for communities surrounding the afforestation areas they own, in order to confirm the opinions and demands of local people with regard to their project activities. Procedures have also been established for assessing and reviewing social contribution activity programs run by these companies based on requests received from local residents via these communication activities.
- Forest certification has been obtained and maintained for all overseas afforestation projects managed by the Group.



Tree planting that preserves riparian forests.
 (Bottom) The blue area indicates riparian forests

Status of forest certification acquisition for overseas afforestation projects

Overseas plantation project by operating company	Certification system name (License no.)	Acquisition year
PTP (Australia)	Responsible Wood	2006
BTP (Australia)	Responsible Wood	2006
Volterra (Chile)	FSC® (FSC®C120260) CERTFORCHILE	2014 2007
AMCEL (Brazil)	FSC® (FSC®C023383) CERFLOR	2008 2014

Examples of Activities to Coexist with Local Communities (see P.85)

	Examples of Activities to Coexist with Local Communities	
	Contributions to Local Communities	Respect for indigenous peoples
Brazil	<ul style="list-style-type: none"> ● Vocational training for local residents in communities surrounding afforestation areas ● Vocational training for women living in local communities (makeup, accessory making, etc.) ● Sponsorship of education and sports classes for children from low-income families (sponsorship/provision of materials, etc. to environmental patrol of the military police) ● Partnership with military police (sponsorship of education and sports classes for children from low-income families run by military police) ● Financial support for protection of wild animals and environmental education activities 	<ul style="list-style-type: none"> ● Designation of areas with indigenous heritage sites identified on company-owned land as permanent protected zones
Australia	<ul style="list-style-type: none"> ● Cooperation with firefighting activities in times of forest fires in the local area, as members of a fire brigade consisting of local afforestation-related companies 	<ul style="list-style-type: none"> ● Protection of indigenous heritage sites identified in afforestation areas