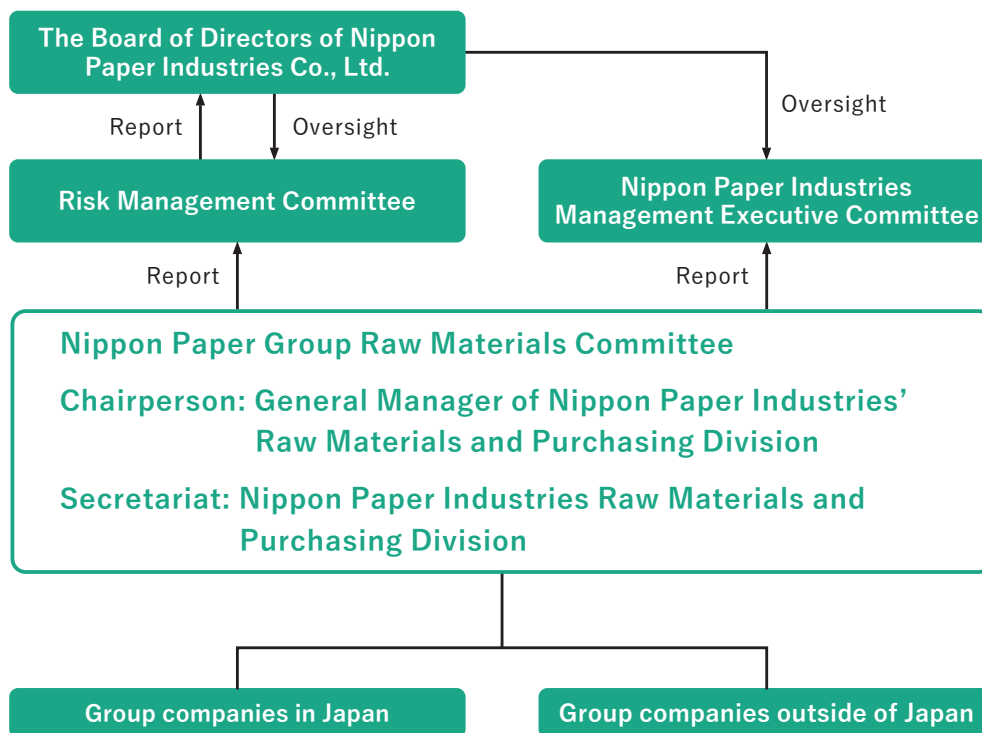


Policy and Management

》 Principles and Basic Policies Concerning Raw Materials Procurement (see P. 83)

- The Nippon Paper Group revised the Principles and Basic Policies Concerning Raw Materials Procurement in September 2022.
- In the process of its revision, the Group has had discussions with external experts and incorporated stakeholders' opinions.
- The Group also communicates the content of these Principles and Basic Policies to suppliers around the world by making both Japanese and English language versions and displaying them on its website.
- The Group conducts regular questionnaire surveys and interviews to audit critical suppliers regarding these concerns.

Structure for Promoting Raw Materials Procurement Management



Sustainable Procurement of Wood Raw Materials

Key points of sustainable wood resources procurement

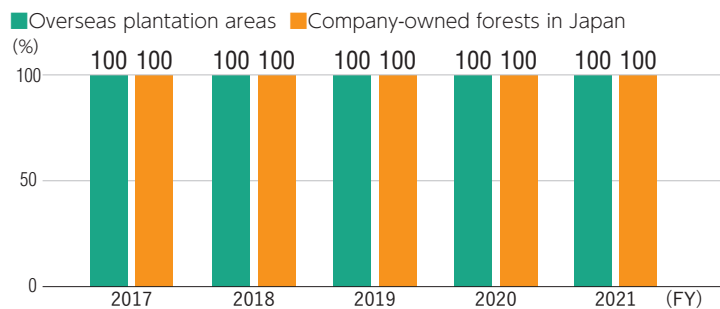
- 1) Sourcing from sustainable forests (sustainability)
- 2) Clearly identifying the origin of timber (traceability)
- 3) Maintaining full accountability (accountability)

Sustainable Procurement of Wood Raw Materials

— 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.
- The Group is promoting overseas afforestation business and utilization of company-owned forests in Japan and aiming for stable procurement by utilizing its own resources.

Forest Certification Acquisition Rate in Company-owned Forests



Forest Certification (Japanese only):

<https://www.nipponpapergroup.com/csr/forest/sustainability/certification/>

— 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 from which they were sourced.
- The Group utilizes forest certification schemes as a tool to check that procurement of woody raw materials is being conducted appropriately.

— 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 (including the consideration of environment and society), 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 (including the consideration of the environment and society) before continuing trading.
- The Group checks the status of forest certification and the background of resources at the time of contract with the supplier.
- The Group takes corrective actions with suppliers which, it is determined, present high risks.

— 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.

* 18 participants (As of April 1, 2022)

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 of all wood raw materials procured both in Japan and overseas.
 - ▶ New business partner: Implemented at the time of starting trading
 - ▶ Existing business partners: Conducted regularly every year
- In FY2021, the Group carried out due diligence and verified the legality of all of its wood raw materials.

→ Legality Certification Due Diligence System Manual (Japanese only)
<https://www.nipponpapergroup.com/csr/DDmanual.pdf>

— Response to the Clean Wood Act

Nippon Paper Industries, Nippon Paper Papyrus, Nippon Paper Creca and Nippon Paper Lumber completed their registrations as both a Type 1 and Type 2 Wood-related Businesses under the Act on Promotion of the Distribution and Use of Legally Harvested Wood (the Clean Wood Act). 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 Principles and Basic Policies Concerning Raw Materials Procurement.

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

Sustainable woody resource procurement scheme

Principles and Basic Policies 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 company using its own approach to verification, as provided in the Guideline for Verification of Legality and Sustainability of Wood and Wood Products established by Japan's Forest Agency. ●Based on the Japan Paper Association's guideline for measures against illegal logging.
Implementation content	Overall	<ul style="list-style-type: none"> ●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 Guide line 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.
	Confirmation of sustainability	<ul style="list-style-type: none"> ●Based on information from sources such as results of supplier questionnaire surveys*(once a year) and local interviews, the following has been confirmed. <ul style="list-style-type: none"> • 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. *target : Import chip, domestic and import pulp ●The Group disseminates its procurement policy by describing it in the supplier questionnaire (Japanese and English).
	Third-Party Audits	<ul style="list-style-type: none"> The following have been implemented for all procured wood resources. ●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 (FY2021)	357 chip suppliers, 7 pulp suppliers (Implemented for all suppliers) Confirmation of conformance with the above action plan	22 chip suppliers, 13 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

- All company-owned forests in Japan and overseas have received forest certifications.
- All wood-based raw materials are certified by FSC® or PEFC.
(All procured chips have been produced with wood from forests with an FM certification^{*1} or have undergone a risk assessment for the CoC certification^{*2}.)

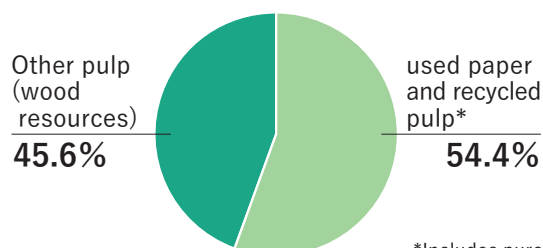
*1 FM (Forest Management) certification: Certification of forests with sustainable forest management

*2 CoC (Chain of Custody) certification: Certification of certified materials that are properly distributed and processed

Current Status of Raw Materials Procurement

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

Breakdown of major raw materials for paper products (Consolidated companies in Japan, FY2021)



*Includes purchased wastepaper pulp

— 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 procurement for newspapers, the Company is building and expanding a “Closed Loop System” in which the Company directly purchases 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* (FY2021)

Used paper (kt)	Recycled pulp (kt)	Total (kt)
2,674	10	2,684

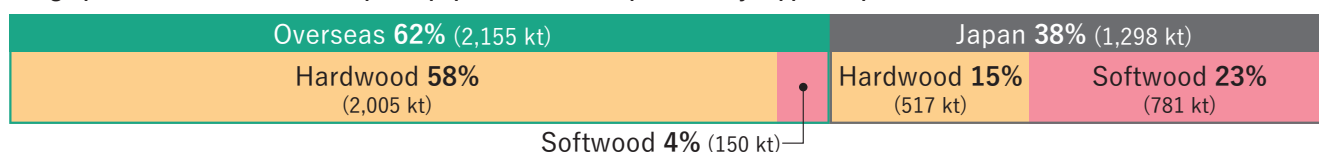
* Target of aggregation : Consolidated companies in Japan excluding Cresia Kasuga

— Initiatives aimed at stable wood resource procurement

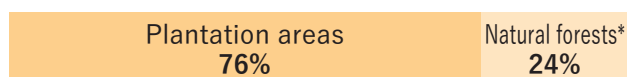
Nippon Paper Industries procures most of the woody raw materials as wood chips and some as pulp.

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

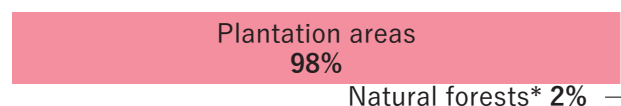
Geographic breakdown of woodchips for paper manufacture procured by Nippon Paper Industries (FY2021) (Bone dry units, kt=kilotonnes)



Hardwood resource breakdown (2,522 kt)



Softwood resource breakdown (931 kt)



*Natural forests as indicated here refer 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 for paper manufacture procured by Nippon Paper Industries (FY2021)

Hardwood

Country	Percentage	Species
Vietnam	31%	Acacia
South Africa	25%	Acacia, Eucalyptus
Australia	21%	Eucalyptus
Brazil	11%	Eucalyptus, Acacia
Chile	7%	Eucalyptus
Thailand	5%	Eucalyptus
Total	100%	

Softwood

Country	Percentage	Species
Australia	86%	Pinus radiata
Russia	14%	Yezo spruce
Total	100%	

Sustainable Forest Management

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

The Nippon Paper Group definition of sustainable forest management

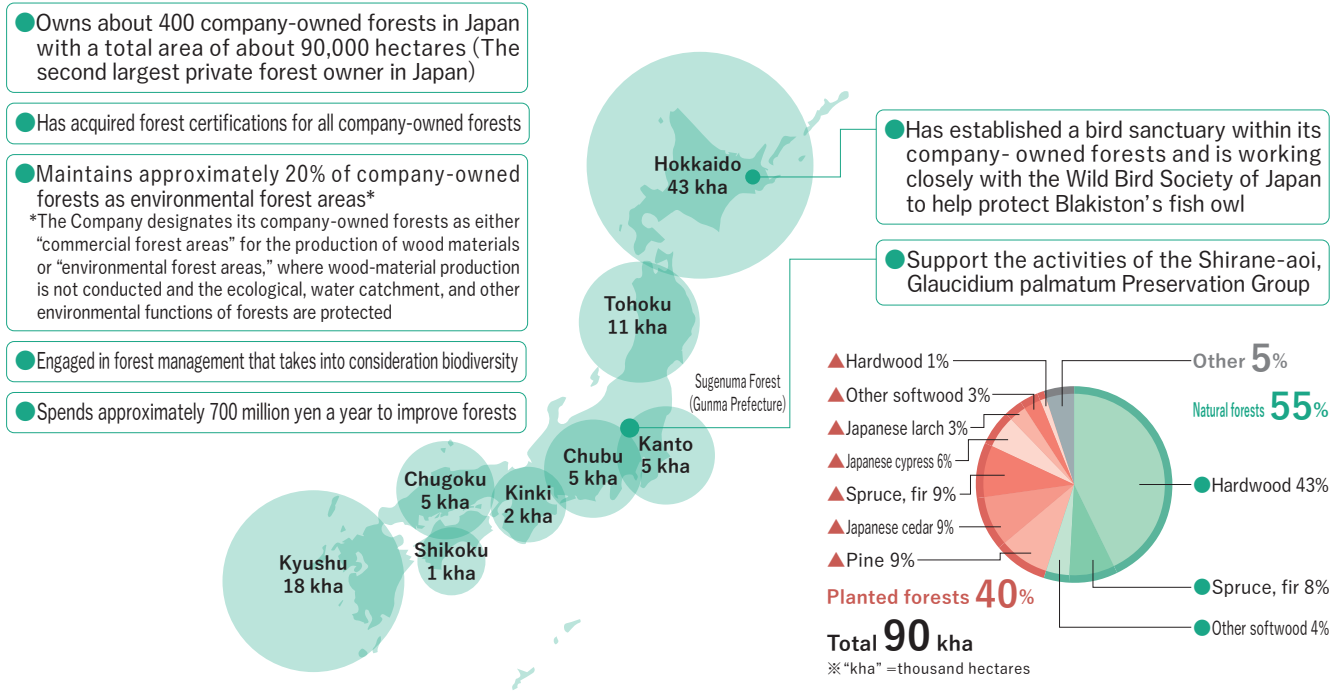
- 1) Biodiversity is preserved.
- 2) The productivity and soundness of the forest ecosystem is maintained.
- 3) Soil and water resources are conserved.
- 4) Diverse social needs are satisfied.

- All company-owned forests in Japan (90,000 hectares, at the end of 2021) have received forest certifications.
- All overseas afforestation areas managed by the Company (72,000 hectares, at the end of 2021) has received forest certifications.

Protecting and Nurturing Japan’s Forest Resources

— Sustainable Management of Company-Owned Forests in Japan

Nippon Paper Group, as a company owning forests and utilizing forest resources, aims to enhance the productivity of company-owned forests and carries out balanced and sustainable forest management which can fully demonstrate public interest functions such as forest biodiversity conservation and water source retention.



→ Representative company-owned forests in Japan (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, Kinki (partial)	SGEC	Oct. 2007*
Kinki, Chugoku, Shikoku	SGEC	Dec. 2006
Kyushu	SGEC	Mar. 2005

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

— 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.

<Examples of Activities Utilizing Company-owned Forests>

- ▶ Afforestation of elite tree* seedlings in company-owned forests for reforestation from FY2022 (see P.23)
- ▶ Consideration and implementation of introduction of cutting-edge technology for more sophisticated and labor-saving forestry (see P.23)
- ▶ Participation in large-scale forestry business complexes formed by public-private collaboration, aiming at streamlining forestry operation (see P.23)
- ▶ Biodiversity conservation and water source retention activities in collaboration with companies in different business fields or NPOs (see P.43-44)

* Seedlings with great growth characteristics and very little pollen designated by the government

— 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 with the goal of annual sales* of domestic unprocessed timber of 1 million m³.

* Does not include woodchips for paper manufacturing use.

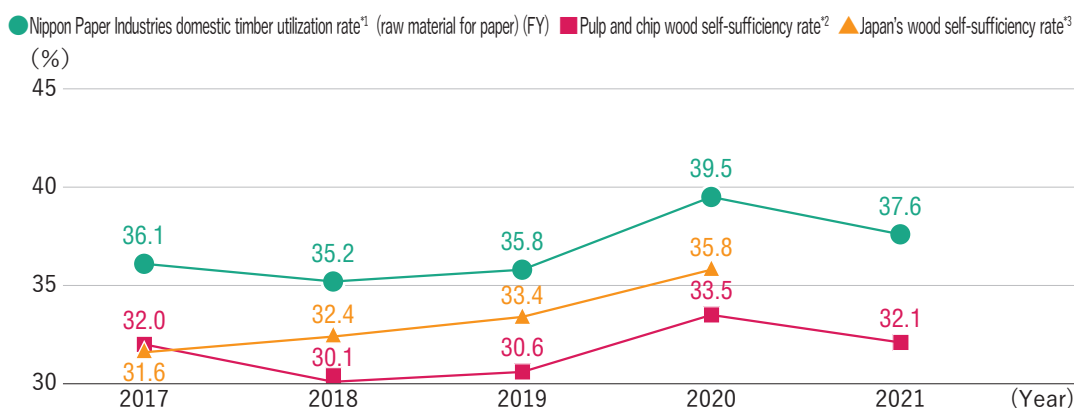
Domestic timber sales results by product type (Nippon Paper Lumber)



— 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 was 37.6% in FY2021.
- 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 (Nippon Paper Industries)



*1 It 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 Expansion of Business of Elite Seedlings for Forestry (Nippon Paper Industries)

The Company will contribute to the revitalization of forestry in Japan by expanding the business of elite seedlings for forestry in collaboration with the Forestry Agency and seedling traders. It received certifications as a “specified breeding company” due to the production of seedlings of elite trees in Hokkaido and Kumamoto as well as in Shizuoka, Tottori, Hiroshima and Oita. The Company will expand the scale of the business and spread it to the remaining area, considering the trend in demand. At the same time, it will promote value enhancement of company-owned forests by afforestation of elite trees and other seedlings one after another in reforested land owned by the Company.

CASE STUDY Use of Cutting-edge Technology (Nippon Paper Industries, Nippon Paper Lumber)

Nippon Paper Industries and Nippon Paper Lumber are examining the acquisition of forest resource information using a drone and aerial laser and labor saving in and streamlining of forest management in company-owned forests. The companies concluded an agreement on the implementation of cutting-edge technology on-site with Shizuoka Prefecture in May 2022, and will demonstrate cutting-edge technology using company-owned forests in Shizuoka. The Company will also streamline the creation of J-Credits* in company-owned forests by acquiring forest information using such data.

* J-Credit Scheme is a system to certify the amount of CO₂ and other greenhouse gas emissions reduced by energy saving and the use of renewable energy or absorbed through proper forest management, as “credit.”

CASE STUDY Public-private Collaboration in the Formation of Large-Scale Forestry Business Complexes (Nippon Paper Industries)

Since 2011, as a private-sector company that owns a forest in the Itsuki region of Kumamoto, 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 implemented cooperative shipping with the aim of building a stable supply chain for timber and is planning the expansion of the business.

CASE STUDY Supply of SGEC-Certified Wood

Nippon Paper Lumber received CoC certification of SGEC for the first time in Japan. In 2018, the Company used Nippon Paper Lumber’s CoC certification to supply SGEC-certified material from its Kitayama company-owned forest (Fujinomiya, Shizuoka) to the Exhibition Building Wooden Grid Project at the Mt. Fuji World Heritage Center, Shizuoka. This is the first case of acquiring “SGEC/PEFC CoC Project Certification” in Japan. 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

- The Group conducts forest management by paying attention to the local residents including indigenous people, culture and tradition of each region and natural environment and ecosystem. The Group also contributes to local economies by creating employment opportunities and providing support for educational activities (see P.70).
- The Group performs 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 plantation 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.43-44).
- When conducting new development, the Group carries out environmental and social assessments and gives prior briefings to local residents including indigenous people.
- 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.

Overview of Overseas Forests under Nippon Paper Group Management (as of December 31, 2021)

Company	Country	plantation area (10 k ha)	Background
Amapá Florestal e Celulose S.A. (AMCEL)	Brazil	6.5	Wholly owned subsidiary of Nippon Paper Industries
Nippon Paper Resources Australia Pty.Ltd. (NPR)	Australia	0.7	Wholly owned subsidiary of Nippon Paper Industries (Management of PTP, BTP, etc.)

Status of forest certification acquisition for overseas afforestation projects

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

Examples of Activities to Coexist with Local Communities (see P.70)

country	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.) ● Supporting sports classes for children from low-income families ● Partnership with military police (sponsorship of education and sports classes for children from low-income families run by military police) ● Distribution of a food basket to low-income families ● 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