

Sustainable Procurement of Raw Materials

1 Basic Policy

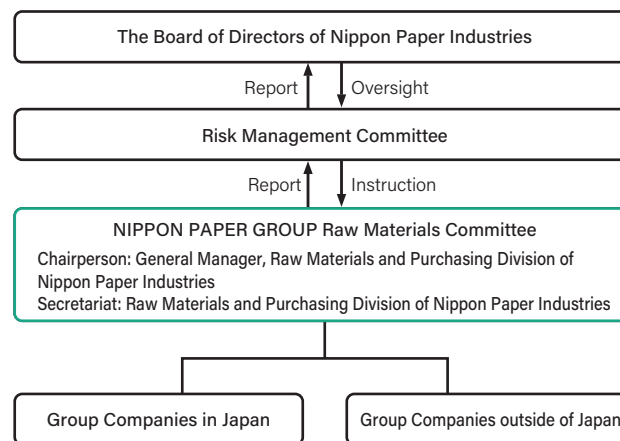
→P92 Principles and Basic Policies Concerning Raw Materials Procurement

- NIPPON PAPER GROUP revised the "Principles and Basic Policies Concerning Raw Materials Procurement" (hereinafter, Procurement Policy) in September 2022.
- In the process of its revision, the Group repeatedly engaged in dialogue with external experts and reflected the opinions of stakeholders in the revised content.
- The Group also communicates the content of the Procurement Policy to suppliers around the world by making both Japanese and English language versions and displaying them on its website.

→P94 Wood Resources Procurement Guidelines

- To strengthen the procurement system for wood resources, the "Wood Resources Procurement Guidelines" (hereinafter, Procurement Guidelines) has been newly established, based on the Procurement Policy revised in September 2022.
- The Group also communicates the content of the Procurement Guidelines to suppliers around the world by making both Japanese and English language versions and displaying them on its website.

2 Promotion Structure



- The Group has established the NIPPON PAPER GROUP Raw Materials Committee, which is chaired by the general manager of the Raw Materials and Purchasing Division at Nippon Paper Industries. This committee discusses key issues related to raw materials procurement for the entire Group, such as policies on raw materials procurement, and reports on these issues to the Board of Directors through the Risk Management Committee.
- In FY2024, the Committee reported to the Board of Directors through the Risk Management Committee on strategies and important issues related to raw material procurement.

3 Sustainable Procurement of wood Resources

1. Procurement of wood Resources

- The Group procures wood resources in accordance with the following points based on the Procurement Policy and the Procurement Guidelines.

Key points in NIPPON PAPER GROUP's procurement of wood resources

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

- The Group has formulated and implemented an [action plan](#) →P15 for sustainable procurement of wood resources into practice.
- The Group uses a forest certification system to confirm that wood resources are being procured appropriately.
- All wood used in the manufacturing of the Company's products is all FSC® or PEFC-certified. The Group procures only wood materials sourced from forests that have acquired FM certification*1 under the forest certification system or that have undergone risk assessment as part of 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

→WEB Forest Certification (Japanese only)

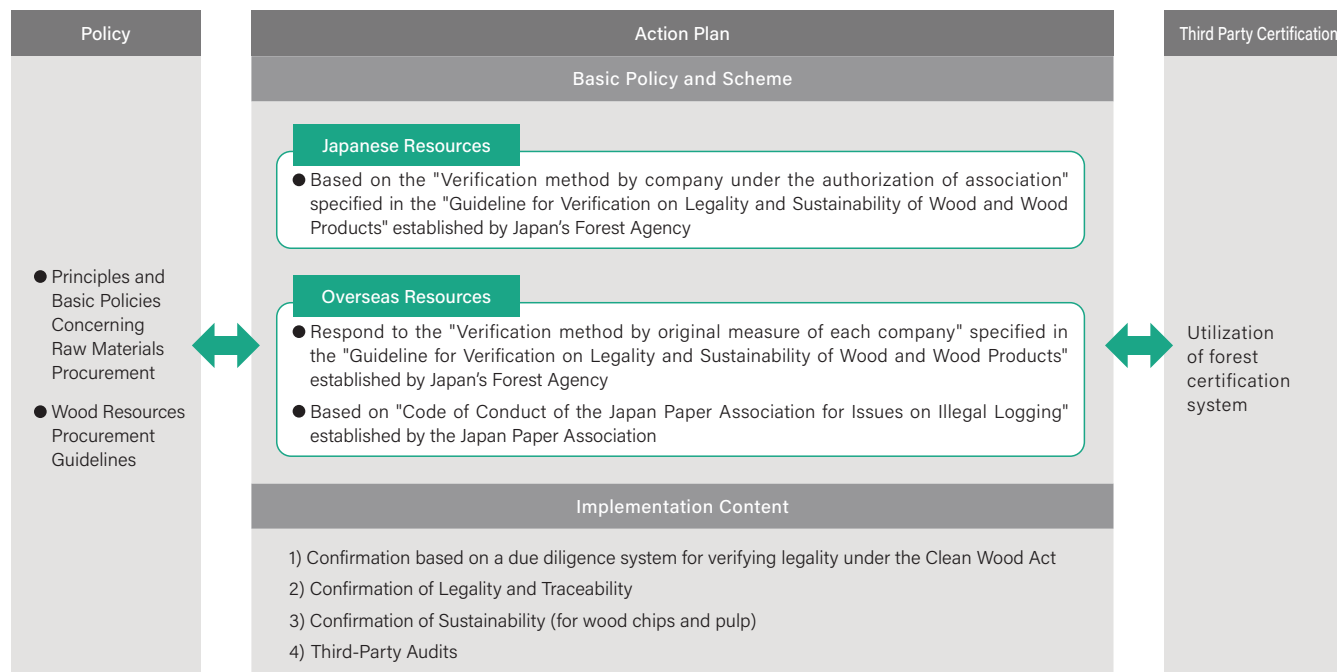
<https://www.nipponpapergroup.com/csr/forest/sustainability/certification/>

Sustainable Procurement of Raw Materials

2. Action Plan for Wood-based Raw Material Procurement

- The Group conducts risk minimization and improvement processes by implementing an action plan established based on the Procurement Policy and the Procurement Guidelines. It works with suppliers to build a sustainable supply chain.
- In the action plan, following the basic policies for Japanese and overseas resources, the Group conducts 1) confirmation based on a due diligence system for verifying legality under the Clean Wood Act, 2) confirmation of legality and traceability, 3) confirmation of sustainability, and 4) third-party audits.
- Before commencing any transactions with new suppliers, the Group conducts on-site inspections and questionnaire surveys to confirm compliance with the Procurement Policies and the Procurement Guidelines and whether there is any risk, the status of acquisition of forest certification, and resource backgrounds.
- In the case of existing suppliers, the Group continues to do business with them after confirming whether there is any risk in executing the action plan.
- Corrective action is taken in the case of suppliers that are deemed to be high-risk or non-compliant with the action plan.
- In FY2024, the Company confirmed compliance with the action plan in all domestic and overseas materials suppliers.
- Starting in FY2023, the Company expanded the scope to include critical suppliers of general raw materials in the Paper and Paperboard Business, working to conduct action plans at the same level as woody materials.

Overview of Action Plan



Number of Implementation of Action Plan (Nippon Paper Industries, FY2024)

Japanese resources	304 wood chip suppliers, 5 pulp suppliers (Implemented for all suppliers and confirmed compliance with all)
Overseas resources	26 wood chip suppliers, 14 pulp suppliers, 9 woody fuel suppliers (Implemented for all suppliers and confirmed compliance with all)

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

1) Confirmation based on a due diligence system for verifying legality under the Clean Wood Act

- Nippon Paper Industries, Nippon Paper Papyrus and Nippon Paper Creca have established a "Legality Certification Due Diligence System (hereinafter, Legality Certification DDS) manual" based on the [Clean Wood Act](#) [→P16](#) for the purpose of confirming the legality of the wood resources that they procure.
- * Risk assessment of Legality Certification DDS includes anti-corruption measures
- The companies use the Legality Certification DDS to conduct due diligence on all wood raw materials procured in Japan and overseas.

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

2) Confirmation of legality and traceability (eradicating illegal logging)

- For Japanese resources, in addition to Legality Certification DDS, traceability is assured. Compliance with laws and regulations related to forestry operations, as well as other basic information such as tree species and whether or not forest certification has been acquired, are confirmed in accordance with the Forestry Agency's "Guideline for Verification on Legality and Sustainability of Wood and Wood Products."
- For overseas resources, in addition to the Legality Certification DDS, checks are performed on related documents on a ship-by-ship basis to ensure that "the logging areas and suppliers are in compliance with relevant laws and regulations and that shipments do not contain illegally harvested wood" and staff assigned to local offices conduct questionnaire surveys and local interviews (to confirm basic information such as laws and regulations related to forestry operations and compliance with these, tree species, and whether forest certification has been obtained, thereby enhancing traceability).

* Based on surveys and shipping documents provided by the suppliers, the Company has confirmed that no wood chips or pulp purchased in FY2024 contained illegally logged timber

- Confirmation of legality is carried out for new business partners at the start of transactions and regularly on an annual basis for existing business partners.

Sustainable Procurement of Raw Materials

3) Confirmation of sustainability

- The Group confirms sustainability through supplier questionnaire surveys* (once a year) and local interviews.

* For wood chips and pulp

- The Group disseminates the Procurement Policies and the Procurement Guidelines in its supplier questionnaires in Japanese and English.

Contents of Supplier Questionnaire Survey (Excerpt)

- Confirmation of the Procurement Policies and the Procurement Guidelines.
- 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.
(Response to climate change issues, reduction of environmental impact, effective use of resources, consideration for water resources)
- Logging and forest management activities that are considered to protect biodiversity have been conducted.
- Biodiversity surveys have been conducted.
- Forest certification has been obtained.

4) Third-party audits

All procured wood resources are audited annually by the Japan Paper Association's "Illegal Logging Monitoring Project," and assessed for risks by the due diligence system of forest certification PEFC.

3. Response to the Clean Wood Act

Nippon Paper Industries, Nippon Paper Papylia, Nippon Paper Crecia 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, 2023 to March 18, 2028	Japan Gas Appliances Inspection Association	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 Papylia	JIA-CLW-I, II No. 19001	April 26, 2024 to April 25, 2029		
Nippon Paper Crecia	JIA-CLW-I, II No. 19002	April 26, 2024 to April 25, 2029		
Nippon Paper Lumber	JPIC-CLW-I, II No. 54	July 6, 2023 to July 5, 2028	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

4 Employee Training and Education

Raw Material Procurement Related Training Sessions (FY2024)

Topics	Target participants	Number of sessions (frequency)
Principles and Basic Policies Concerning Raw Materials Procurement, Wood Resources Procurement Guidelines	Staff in charge of forest certification	5 (when staff in charge were replaced)
Forest Certification	Staff in charge of forest certification	5 (when staff in charge were replaced)

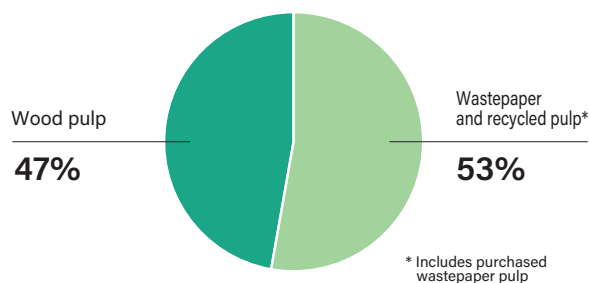
Sustainable Procurement of Raw Materials

5 NIPPON PAPER GROUP Raw Materials Procurement

1. Major Raw Materials for Paper Products

The main raw materials for the Group's paper products are wood pulp, wastepaper, and recycled pulp.

Breakdown of Major Raw Materials for Paper Products (Consolidated companies in Japan, FY2024)



2. 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. (Initiatives for Using Wastepaper →P42)

- Building a Closed Loop System
- Collection and utilization of previously unused and difficult-to-treat wastepaper such as used food containers
- Circular use of wastepaper in collaboration with local governments

Amount of Wastepaper and Recycled Pulp Procured* (FY2024)

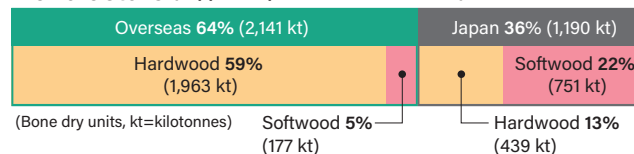
wastepaper (kt)	Recycled pulp (kt)	Total (kt)
2,055	8	2,063

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

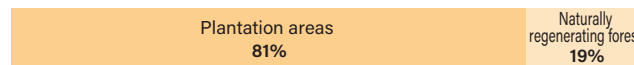
3. Stable Wood Resources Procurement

- The Company procures most of the wood resources as wood chips and some as pulp.
- About 64% of wood chips are procured from overseas, and about 36% from Japan.
- To ensure stable procurement, sources of wood chip imports are diversified between Asia, Australia, and South America, and other parts of the world.
- The Group procures wood resources with proper planning and management.
- The Company and overseas plantation subsidiaries have obtained forest certification for all its company-owned forests.
- To ensure stable procurement using the Group's own resources, the Group is promoting overseas plantation business →P20 and utilizing company-owned forests in Japan. →P18
- In the case of external procurement, the Group has strengthened its supply chain management and built a procurement system that traces back to the forests where wood resources are sourced.

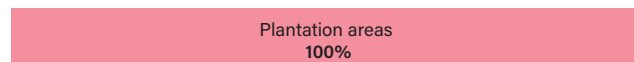
Geographic Breakdown of Wood chips for Paper Manufacture (Nippon Paper Industries, FY2024)



Hardwood Resource Breakdown (2,402 kt)



Softwood Resource Breakdown (928 kt)



Countries of Origin and Tree Species for Overseas Wood Chips Procured for Paper Manufacture (Nippon Paper Industries, FY2024)

Hardwood

Country	Percentage*	Species
Vietnam	35%	Acacia
South Africa	25%	Acacia, Eucalyptus
Australia	13%	Eucalyptus
Thailand	12%	Eucalyptus
Brazil	9%	Eucalyptus, Acacia
Chile	5%	Eucalyptus
Total	100%	

* Figures are rounded, so the total may not add up to 100%

Softwood

Country	Percentage	Species
Australia	100%	Pinus radiata