

# Risk Management

## 1 Basic Policy

### Basic Policy

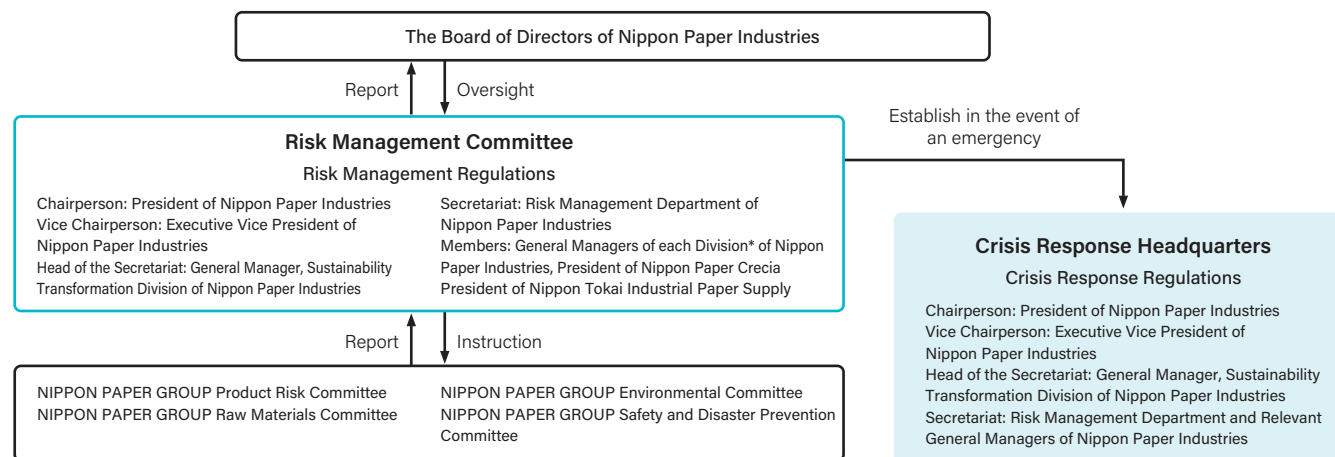
- ① Prioritizing human life and safety
- ② Continuing business

Under these policies, the Group will follow and comply with the guidance and recommendations of national and regional governments.

Risks for NIPPON PAPER GROUP are all possibilities that may cause physical, economic, or credit loss or disadvantage to the Group, specifically the following seven items:

- (1) Legal and regulatory compliance risk
- (2) Labor-related risk
- (3) Business-related risk
- (4) Finance-related risk
- (5) Disaster-related risk
- (6) Information systems-related risk
- (7) Other risks

## 2 Promotion Structure



\* Sustainability Transformation Division, Personnel & General Affairs Division, Corporate Planning Division, Biomass Material Business Division, Financial Division, Raw Materials and Purchasing Division, Research & Development Division, Technical & Engineering Division, Energy Business Division, Sales Planning Division, Paper-Pak Sales Division, Chemical Sales Division

### 1. Risk Management System

- Under the supervision of the Board of Directors of Nippon Paper Industries, the Company has established its Risk Management Committee, which is chaired by the president and representative director, and holds meetings at least once a year (FY2024: 1 meeting).
- In normal times, the Risk Management Committee periodically identifies and evaluates the Group's risks in accordance with the Risk Management Regulations, and discusses and deliberates measures to mitigate its risks and measures to be taken when they occur.
- In times of emergency, a Crisis Response Headquarters is established in accordance with the Crisis Response Regulations. The Crisis Response Headquarters promptly implements initial emergency responses and BCP (Business Continuity Plan) in response to risks such as earthquakes, typhoons, and outbreaks of infectious diseases.

- Risks related to product safety, raw materials procurement, the environment, and safety and disaster prevention are discussed and deliberated by committees that are chaired by the general managers of the relevant division.

### 2. Reports to the Board of Directors

- The results of discussions and deliberations by committees chaired by the general managers of each responsible division of risks related to product safety, raw material procurement, the environment, and safety and disaster prevention are reported to the Board of Directors through the Risk Management Committee.
- In FY2024, in addition to the Group's business risks and the content of reports from the various committees, the Board of Directors also received reports on the response status of crisis response training for the scenario of a Tokyo Inland Earthquake and BCM (Business Continuity Management).

## Risk Management

### 3 Risk Management Activities

#### 1. Risk Identification

- In FY2024, risk surveys were conducted for the Company's head office and mills, consolidated subsidiaries in Japan, three non-consolidated subsidiaries, and three overseas consolidated subsidiaries. In addition to identifying risks, the surveys also confirmed risks that materialized in FY2024 and those whose significance will increase in the future.
- Based on the results, the relevant departments and the Risk Management Committee have discussed and identified the business risks of the Group as follows.

#### Major Business Risks of the Corporate Group (FY2024)

	Summary	Main initiatives to mitigate risks
Major risks associated with management strategies	Risks related to securing human resources	<ul style="list-style-type: none"> <li>● Proactive recruitment and development of human resources with diverse backgrounds</li> <li>● Creation of a work environment that supports flexible work styles</li> <li>● Automation and labor-saving at operational sites</li> </ul>
	Risks related to delays in the improvement of profit from Opal	<ul style="list-style-type: none"> <li>● Optimization of manufacturing footprint at Maryvale mill and stabilization of operations</li> <li>● Increase of production capacity and improvement of productivity through capital investment in the Packaging Business</li> </ul>
	Risks related to climate change	<ul style="list-style-type: none"> <li>● Reduction of GHG emissions by energy savings and increasing the proportion of renewable and waste energy</li> <li>● Utilization of J-Credit scheme ● Promotion of elite trees</li> </ul>
	Risks related to declines in demand for graphic paper	<ul style="list-style-type: none"> <li>● Improvement of competitiveness through reorganization of production structure for graphic paper</li> <li>● Maintenance and expansion of sales volume through development of environmentally friendly products and expansion of their lineup</li> <li>● Expansion of exports through development of products for overseas markets and reinforcement of sales and supply chain structure</li> </ul>
	Risks related to delays in the expansion of Biomass Material Business	<ul style="list-style-type: none"> <li>● Application development, commercialization, and sales expansion for biomass material products</li> <li>● Promotion of open innovation ● Aggressive intellectual property strategies</li> </ul>
	Risks related to supply chain management	<ul style="list-style-type: none"> <li>● Procurement from multiple regions and multiple sources ● Review of inventory levels</li> <li>● Expansion of flexibility and procurement network by strengthening horizontal cooperation within NIPPON PAPER GROUP</li> <li>● Joint marine shipping with other companies</li> <li>● Introduction of a truck arrival booking system</li> </ul>
	Risks related to natural disasters and infectious diseases	<ul style="list-style-type: none"> <li>● Establishment of the Crisis Response Headquarters ● Maintaining BCP</li> <li>● Regular implementation of various drills based on disaster scenarios</li> <li>● Thorough measures to prevent outbreaks of infectious diseases</li> </ul>
Main risks associated with the business environment and business activities	Risks related to production facilities	<ul style="list-style-type: none"> <li>● Planned measures against deterioration with aging</li> <li>● Preventive maintenance</li> </ul>
	Risks related to compliance	<ul style="list-style-type: none"> <li>● Regular education and training</li> <li>● Compliance awareness surveys</li> </ul>
	Risks related to worker health and safety	<ul style="list-style-type: none"> <li>● Operation of the occupational safety and health management system</li> </ul>
	Risks based on product liability	<ul style="list-style-type: none"> <li>● Supervision by the Group Product Risk Committee</li> <li>● Utilization of product liability insurance</li> </ul>
	Risks related to environmental laws and regulations	<ul style="list-style-type: none"> <li>● Dissemination and compliance with environmental laws and regulations</li> </ul>
	Risks related to information systems	<ul style="list-style-type: none"> <li>● Construction and operation of systems in preparation for cyber-attacks</li> <li>● Enhancement of the personal information management system</li> </ul>
	Risks related to intellectual property disputes	<ul style="list-style-type: none"> <li>● Protection of intellectual property rights</li> <li>● Internal training</li> </ul>

#### 2. Maintaining BCP

- In response to the large-scale natural disasters that have occurred frequently in recent years, the Company continues to develop BCP based on the BCM framework that was worked on in FY2020.
- Each department of the Company (head office) compiles the BCP and disseminates them internally. Based on the BCP, in addition to stockpiling food and daily necessities, the Company has added equipment that will be needed when the Crisis Response Headquarters is set up, and has also selected priority operations.
- The Company (mills) is working to revise the existing BCP to incorporate earthquakes, tsunamis, typhoons, floods, and volcanic eruptions as expected disasters.
- 30 Group companies have prepared their crisis response rules.

#### 3. Enhancement of Crisis Management

- The Company (head office) conducts training on the smooth establishment of Crisis Response Headquarters under the BCM framework to improve crisis management capabilities, including initial incident response.
- In FY2023, Crisis Response Headquarters setup training was conducted online for the scenario of a large-scale disaster on weekends and holidays.
- In FY2024, crisis response training was conducted for the scenario of a Tokyo Inland Earthquake, the transfer of part of the functions of the head office to the Iwakuni mill, and the setting up of a Crisis Response Headquarters.



#### Business Risks

<https://www.nipponpapergroup.com/english/ir/policy/risk/>