



NIPPON PAPER INDUSTRIES CO.,LTD.

## Corporate Governance Policy

### Chapter 1 General Provisions

#### Article 1 (Purpose)

This Policy defines guidelines of basic views on the Company's corporate governance so that the Nippon Paper Group (hereinafter referred to as the "Corporate Group") can achieve sustainable growth and medium- to long-term increases in corporate value based on the Corporate Group's philosophy itemized below:

#### **Corporate Group's Philosophy**

##### **Mission** - Reason for existence in society and significance -

The Nippon Paper Group aims to contribute to better living and cultural progress everywhere it does business.

##### **Vision** – Vision for implemented the philosophy -

A corporate group that meets the following requirements and is sustainably needed by society

1. Drive social sustainability through our business
2. Delight our customers
3. Instill pride in employees
4. Give back to society

##### **Values** - Values to which employees attach importance to implement the philosophy, and judgment criteria -

Challenge : Embrace new challenges

Fairness : Be fair

Teamwork : Champion teamwork

**Slogan** - Near-term policy factored in the business environment -

**Nippon Paper Group : Shaping the future with trees**

Constantly creating new value and contributing to better living and cultural progress, as a comprehensive biomass company shaping the future with trees.

Over many years, we have nurtured trees, made paper, and offered a wide range of products that support people's life and culture.

We have managed forests in an appropriate manner, and pursued a variety of businesses by fully utilizing wood resources out of sustainably managed forests. Those businesses address social issues such as global warming and depletion of resources on earth, and contribute to running sustainable society.

Going forward, we will continue to provide a wide range of products and services that make the most of the outstanding properties of wood, as we strive to maximize the value of sustainable forest resources for the future.

Article 2 (Basic views on corporate governance)

1. The Company shall make the top priority of management further enhancing management transparency among its stakeholders including shareholders, in order to achieve fair management. To ensure separation between business execution and management supervision, the Company shall adopt the executive officer system and strive to strengthen the supervisory function of the Board of Directors. In addition, the Company shall, as the headquarters for managing the Group, promote its growth strategy, monitor businesses under its control, and promote legal compliance. The Company shall work on further reinforcing corporate governance by providing the following policies:
  - (i) The Company shall, having respect for shareholders' rights, work to put in place an environment where its shareholders can exercise their rights in an appropriate manner and ensure the substantive equality of shareholders.
  - (ii) The Company shall recognize the importance of social responsibilities and public duties, strive to appropriately collaborate with various stakeholders including shareholders, employees, customers, business partners, creditors, and local communities, and develop a corporate culture and climate for business to be operated in a sound manner based on strict self-discipline.
  - (iii) The Company shall provide for its disclosure policy separately, make appropriate disclosures of corporate information including non-financial information, and strive to ensure the transparency of corporate management.

- (iv) The Company shall work on strengthening the functions of the Board of Directors based on fiduciary responsibility and accountability to shareholders. It shall promote the use of independent outside directors, establish voluntary committees to ensure the transparency of procedures concerning executive appointments and compensation in particular, and have independent outside directors as key members. It shall make analyses and evaluations on the effectiveness of the Board of Directors as a whole and strive to improve the functions of the Board of Directors.
  - (v) The Company shall have constructive dialogues with shareholders, in order to contribute to its sustainable growth and medium- to long-term increases in corporate value.
2. The Board of Directors shall, as core management principles that all of the Company's officers and employees share, and on which all activities rely, separately provide the Nippon Paper Group Action Charter and the Nippon Paper Group Codes of Conduct.

## **Chapter 2            The Company's Corporate Governance Structure**

### **Article 3 (Roles of the Board of Directors)**

1. The Board of Directors shall bear the supervisory function of management as a whole including the execution of duties by executing persons, ensure fair and transparent management, and make the most appropriate decisions for the Company through decisions, etc. on the important execution of business that are to be made by the Board of Directors under laws and regulations.
2. Regarding the execution of business other than the execution of important business set forth in the preceding Paragraph and its decisions, its authority shall be delegated to the President & Representative Director and other Corporate Officers, and the Board of Directors shall supervise the status of the execution of duties by the President & Representative Director and other Corporate Officers.
3. Outside directors shall, to enhance the Corporate Group's sustainable growth and medium- to long-term corporate value, supervise the execution of business by the Board of Directors, the senior management, etc., and conflicts of interest between the Company and the senior management, etc., from the viewpoint of stakeholders.
4. In view of the importance of environmental and social challenges related to sustainability, the Board of Directors shall provide various philosophies and basic policies regarding social responsibilities to be performed by Corporate Group companies, raise awareness of officers and employees, and strive to facilitate the sustainable development of society and

enhance the corporate value of the Corporate Group by promoting active efforts to resolve challenges while giving consideration to stakeholders.

Article 4 (Composition of the Board of Directors)

1. The Company's board members shall number 12 or fewer members as provided for by the Articles of Incorporation. While based on the necessary and appropriate number to ensure the effective management system required for a holding company that bears the supervisory function for executing the Group's business and substantive discussions at board meetings, the composition of the Board of Directors shall also be decided by fully taking into account the viewpoint of ensuring diversification and expertise in the Board of Directors.
2. The Company's Board of Directors shall ensure a balance of knowledge, experience, and abilities within the Board of Directors as a whole and diversification by having it composed of inside directors who have excellent abilities to execute and manage each business in charge, and outside directors who have specialized knowledge and extensive experience.

Article 5 (Nomination policy of nominees for directors)

1. The Board of Directors shall decide nominees for directors of the Company from among a wide variety of human resources on the condition that they have all the requirements listed below:
  - (i) Those who have extensive knowledge of and a wealth of experience in the Corporate Group's management controls and business operations; and
  - (ii) Those who fully understand the social responsibilities and missions of the Company's business, and can exercise management control and perform business operations in a fair and precise manner based on strict self-discipline.
2. Notwithstanding the provision set forth in the preceding Paragraph, nominees for outside directors shall be decided from among a wide variety of human resources on the condition that they meet all the requirements listed below:
  - (i) Those who meet the criteria for judging independence provided for by the Tokyo Stock Exchange and are deemed not likely to generate conflicts of interest with general shareholders;
  - (ii) Those who understand the Company's management philosophy and have a full understanding of the Corporate Group's social responsibilities and roles; and
  - (iii) Those who fully recognize the role of an outside director, can supervise the Company's directors and management, and can offer precise and appropriate opinions

and advice using expert knowledge and experience in the fields of corporate management, economics, legal affairs, accounting, tax affairs, auditing, etc.

Article 6 (Nomination policy of nominees for statutory auditors)

1. The Board of Directors shall, with the consent of the Board of Statutory Auditors, decide nominees for the Company's statutory auditors from among a wide range of human resources on the condition that they meet all the requirements listed below:
  - (i) Those who have extensive knowledge and a wealth of experience of the Corporate Group's management controls and business operations; and
  - (ii) Those who can conduct audits on the status of business execution by directors from a fair and objective standpoint and can contribute to enhancing the soundness and transparency of management.
2. Notwithstanding the provision set forth in the preceding Paragraph, nominees for outside statutory auditors shall be decided from among a wide range of human resources with the consent of the Board of Statutory Auditors on the condition that they meet all the requirements listed below:
  - (i) Those who meet the criteria for judging independence provided for by the Tokyo Stock Exchange and are deemed not likely to generate conflicts of interest with general shareholders;
  - (ii) Those who understand the Company's management philosophy and have a full understanding of its social responsibilities and roles;
  - (iii) Those who fully recognize the role of an outside statutory auditor and can audit the status of business execution by directors from a neutral and objective viewpoint and contribute to enhancing the soundness and transparency of management using expert knowledge and experience in the fields of corporate management, economics, legal affairs, accounting, tax affairs, audit, etc.

Article 7 (Policy for directors and statutory auditors training, etc.)

1. The Company shall continuously provide information on economic circumstances, industry trends, legal compliance, corporate governance, financial accounting, and other matters that directors and statutory auditors require for performing their roles and functions, as well as give support for the execution of duties of directors and statutory auditors by ensuring opportunities to participate in external training that each director and statutory auditor desires.
2. In addition to the preceding Paragraph, the Company shall ensure outside directors and outside statutory auditors have opportunities for forming a full understanding through

explanations from each division in charge, director in charge, or other suitable persons of the Corporate Group's management strategy, business plans, status of each business, business environment, business challenges, etc., when they assume the relevant post, and in a timely manner during their tenure of office.

Article 8 (Policy for deciding compensation, etc. of directors and statutory auditors)

1. Regarding a director's monthly compensation, his/her base compensation shall be decided according to his/her job responsibilities at the Company. Of that, 70% shall be fixed and the remaining 30% shall be paid on a sliding scale based on the achievement of the mid-term management plan. The base compensation shall be determined by using objective external survey data and taking into consideration the Company's business performance, business size, business environment, etc. Performance indicators shall be set to function effectively as motivation for achieving performance targets, and reviewed as necessary according to changes in the business environment. In addition, directors shall contribute a certain amount of their monthly compensation to the Directors' Shareholding Association to acquire treasury shares. Meanwhile, they shall receive neither bonuses nor directors' retirement benefits.
2. The Company shall pay stock-based compensation to directors by way of the Board Benefit Trust in order to further clarify the linkage between director compensation and its stock value and have them share with its shareholders not only the benefits of an increase in share prices but also the risks of a decline in share prices, thereby increasing their consciousness of the need to contribute to the improvement of the Company's business performance and to increasing in its corporate value over a medium- to long-term. For share-based compensation, treasury shares acquired through a trust with the monetary contributions from the Company and monetary equivalent of treasury shares converted at market value shall be given to directors through the trust. The number of shares to be provided shall be calculated based on the number of points according to job responsibilities. In principle, share-based compensation shall be paid upon retirement of directors. The composition ratio of fixed compensation, performance-linked compensation, and share-based compensation for directors shall be appropriately set in light of the purpose of each compensation.
3. Regarding outside directors and outside statutory auditors, monthly compensation shall be fixed. Meanwhile, in view of their job responsibilities, contributions to the Directors' Shareholding Association shall be left to their discretion.

Article 9 (Personnel & Remuneration Advisory Committee)

1. The Company shall, as an advisory body to the Board of Directors, establish the Personnel & Remuneration Advisory Committee, whose key members are independent outside directors, to further enhance corporate governance.
2. The Personnel & Remuneration Advisory Committee shall, with regard to the nomination process, quality and the reason for nomination of nominees for the Company's directors and statutory auditors, the criteria for judging the independence regarding independent outside directors, directors' compensation structure, etc., study their appropriateness, etc. upon receipt of inquiries from the Board of Directors, and submit recommendations in consideration of evaluations of the Company's business performance, etc.
3. The members of the Personnel & Remuneration Advisory Committee shall be composed of the President & Representative Director, General Manager for Personnel & General Affairs Division and independent outside directors, and Manager of Personnel Department shall serve as the secretariat of the Committee.
4. The Personnel & Remuneration Advisory Committee shall proceed with its studies while receiving appropriate involvement and advice from independent outside directors.
5. The Board of Directors shall, after receiving recommendations from the Personnel & Remuneration Advisory Committee, make a decision on nominations for directors and statutory auditors, compensation for directors, etc.

### **Chapter 3            Responses to Protect Stakeholders' Interests**

#### **Article 10 (Management system for related-party transactions)**

In case the Company conducts transactions with its officers, major shareholders, etc. (related party transactions), it shall, in advance, submit the said transactions to the Board of Directors and obtain its approval, except in clear cases where the said transaction terms and conditions are similar to those of general transactions, so that such transactions may not harm the Company, common interests of shareholders, etc. Material facts on the said transactions shall be reported to the Board of Directors.

#### **Article 11 (Policy for strategic holding of stocks, etc.)**

1. The Company considers it critical to build cooperative relationships with various companies to expand business and achieve sustainable development. From the long-term viewpoint of enhancing the Company's corporate value, the Company shall hold stocks that it deems strategically necessary, taking into comprehensive account importance on business strategy, relationships with business partners, etc.

2. Of listed stocks held based on the preceding Paragraph (hereinafter, “strategic holdings of stocks”), major stocks shall be verified with regard to the effects of holding them, etc. in terms of the medium- to long-term economic rationale for holding, maintaining, and reinforcing comprehensive relationships with business partners, and reports thereon shall be made to the Board of Directors on a regular basis every year.
3. Regarding the exercise of voting rights on strategic holdings of stocks, the Company shall closely examine the contents of proposals and appropriately exercise rights after making a judgment on whether or not the said proposals will contribute to increasing the corporate value of the Company and the investee company. Regarding proposals that impair the corporate value of the Company and the investee company, the Company shall not agree to vote for them.

#### Article 12 (Whistle-blowing system)

1. The Company shall set up a whistle-blowing system (Nippon Paper Group Help Line) so that the Corporate Group’s employees, etc. may directly report to or consult with a contact within the Group or external contact office outside day-to-day reporting lines with regard to acts violating laws and regulations, social norms, corporate ethics, company rules, etc., or inappropriate acts without having concerns about the risk of suffering disadvantageous treatment, and also so that such reports and consultations may be objectively verified and dealt with in an appropriate manner.
2. The operational status of the whistle-blowing system shall be reported to the operating manager by the unit responsible for operations on a case-by-case basis, and the operating manager shall make reports to the Board of Directors where appropriate. In addition, the unit responsible for operations shall make regular reports to the statutory auditors with regard to the status of whistle-blowing from the Corporate Group’s employees, etc.

### **Chapter 4                      Dialogues with Shareholders, etc.**

#### Article 13 (Policy for constructive dialogues with shareholders, etc.)

1. The Company shall attach importance to constructive dialogues with shareholders, etc. and strive to have dialogues with them at various opportunities.
2. The Company shall, through constructive dialogues with shareholders, etc., make efforts to obtain their understanding on the Corporate Group’s management policy, and simultaneously work on the Corporate Group’s sustainable growth and medium- to long-term increase of corporate value by listening to the opinions of shareholders, etc., and



absorbing analyses of management and opinions from the standpoints of capital providers, etc. to reflect them in its management.

### **Supplementary Provisions**

#### Article 1 (Enforcement of the Policy)

The Policy shall come into force as from November 5, 2015.

#### Article 2 (Amendment and repeal of the Policy)

Amendment and repeal of the Policy shall require approval from the Board of Directors.