



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement



014	Corporate Philosophy and Sustainability Management
024	Sustainability-related Policies and Philosophy
025	Mid-Term Sustainability Targets and Material Issues
031	Contributions to the SDGs and Material Issues
039	Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan
039	Material Issue 1 To enhance the value of forests and wood through sustainable forest management
043	Material Issue 2 To realize carbon neutrality by leveraging forests and wood resources
048	Material Issue 3 To realize a circular bioeconomy by leveraging forests and wood resources
054	Material Issue 4 To provide comfortable and secure spaces for society at large
056	Material Issue 5 To improve the livelihood of the local communities where we operate
060	Material Issue 6 To create a vibrant environment for all workers
067	Material Issue 7 To create new markets with forests and wood
070	Material Issue 8 To transform markets through DX and innovation
072	Material Issue 9 To establish a robust business structure
075	Stakeholder Engagement



[Corporate Philosophy and Sustainability Management](#) - [Sustainability-related Policies and Philosophy](#) - [Mid-Term Sustainability Targets and Material Issues](#) - [Contributions to the SDGs and Material Issues](#) - [Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan](#) - [Stakeholder Engagement](#)

# Sumitomo Forestry Group's Sustainability Management

## Corporate Philosophy and Sustainability Management

### Corporate Philosophy and Sustainability Management

#### Corporate Philosophy

The Sumitomo Forestry Group has been operating and engaging in sustainable management based on its Corporate Philosophy of "Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society".

#### Code of Conduct

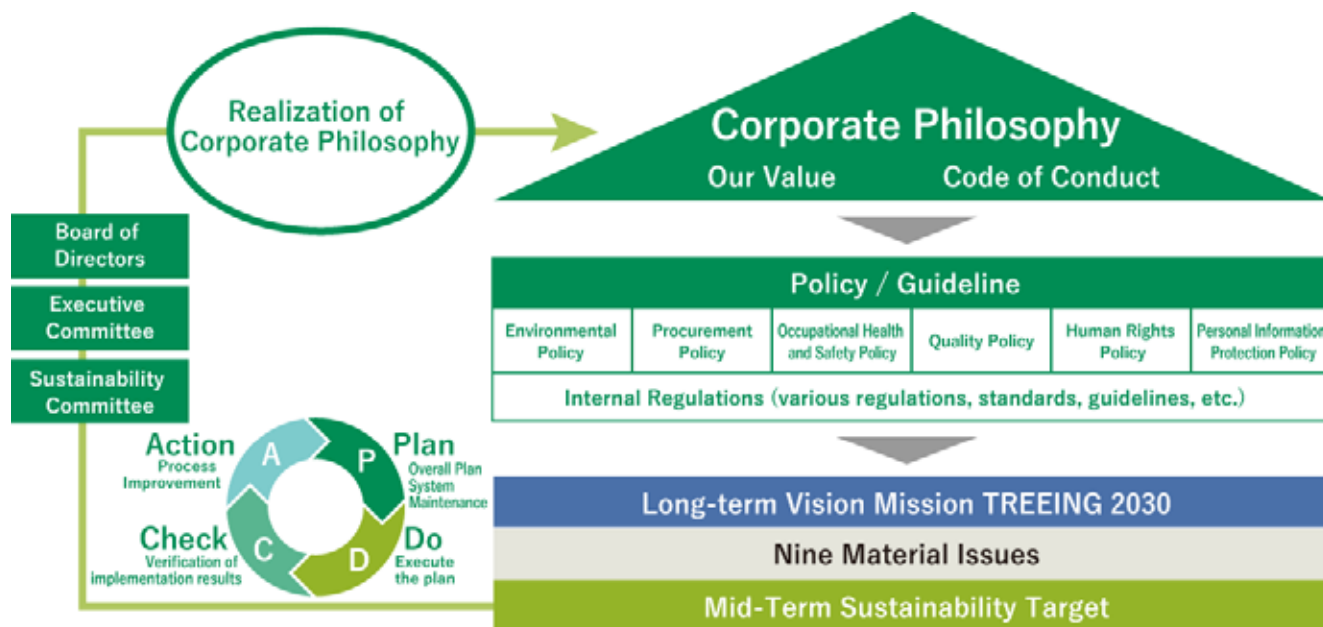
All our efforts are based on Sumitomo Spirit, which places prime importance on fairness and integrity for the good of society. In addition, Sumitomo Forestry Group Code of Conduct has been established to emulate the Sumitomo business spirit that has been passed down since the company's establishment and to meet with global social needs such as international conventions and initiatives. The Sumitomo Forestry Group is seeking to disseminate and implement the Code of Conduct throughout its supply chain as a global standard, including service providers, business partners, and contractors, in addition to the Group and its partners, including suppliers and affiliates. To guarantee that Sumitomo Forestry Group Code of Conduct is widely known, Sumitomo Forestry Group Code of Conduct Guidebook is issued to each employee at the Group companies in Japan, translated into English and other languages, and implemented at abroad affiliates as well as through e-learning. This information has also been disclosed on our website to our business partners and other stakeholders. In addition, we monitor the practice and effectiveness of these principles from our Corporate Philosophy to Our Values and Code of Conduct, etc. at the Sustainability Committee convened four times a year.

#### Policies and Guidelines

We have also established policies such as "Environmental Policy", "Procurement Policy", and "Occupational Health and Safety Policy", and various guidelines based on our Corporate Philosophy and Code of Conduct. We formulated Mission TREEING 2030 in February 2022, a long-term vision that incorporates the ideal image of Sumitomo Forestry Group into a long-term business concept. The Group aspires to realize a sustainable society by addressing the Nine Material Issues identified and providing values to the global environment, people's lives and society, and markets and economic activities, etc. We are dealing with ESG-related sustainability targets as a specific practice for the Mid-Term Management Plan.

Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement

### Sumitomo Forestry Group's Sustainability Management



### Nine Material Issues

Theme	Nine Material Issues		Relevant SDGs
Value for our plane	1	To enhance the value of forests and wood through sustainable forest management	13 Climate Action, 15 Life on Land
	2	To realize carbon neutrality by leveraging forests and wood resources	7 Affordable and Clean Energy, 13 Climate Action
	3	To realize a circular bioeconomy by leveraging forests and wood resources	11 Sustainable Cities and Communities, 12 Responsible Consumption and Production, 15 Life on Land
Value for people and society	4	To provide comfortable and secure spaces for society at large	3 Good Health and Well-being, 9 Industry, Innovation and Infrastructure, 11 Sustainable Cities and Communities
	5	To improve the livelihood of the local communities where we operate	3 Good Health and Well-being, 8 Decent Work and Economic Growth, 11 Sustainable Cities and Communities
	6	To create a vibrant environment for all workers	3 Good Health and Well-being, 5 Gender Equality, 8 Decent Work and Economic Growth
Value for the market economy	7	To create new markets with forests and wood	9 Industry, Innovation and Infrastructure, 11 Sustainable Cities and Communities
	8	To transform markets through DX and innovation	9 Industry, Innovation and Infrastructure
	9	To establish a robust business structure	16 Peace, Justice and Strong Institutions



**Corporate Philosophy and Sustainability Management** - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement

## Corporate Philosophy

The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society.

## Our Value

We provide high-quality products and services that bring joy to our customers.

We create new businesses that lead to happiness for generations to come with a fresh perspective.

We promote a free and open-minded corporate culture that respects diversity.

We set and strive to achieve ambitious goals through ongoing effort.

We do work that wins us the trust of society with fair and honest conduct.

## Sumitomo Forestry Group Code of Conduct

### Purpose and scope of application

Based on its corporate philosophy and Our Value, the Sumitomo Forestry Group shall manage its operations, including the supply chain, in accordance with this Code of Conduct.

### Fair and transparent corporate activities

#### 1. Strict adherence to laws and regulations

We shall adhere to all domestic and overseas laws and company regulations and respect international norms of behavior.

#### 2. Prevention of corruption

We shall have absolutely no involvement in corrupt practices, including bribery, embezzlement and money laundering.

#### 3. Fair business transactions

We shall pursue fair business transactions and refrain from any involvement in cartels, bid rigging or other such activities.

#### 4. Fair accounting procedures

We shall conduct fair accounting and tax practices based on accurate records.

#### 5. Communication with stakeholders

In consideration of the interests of our shareholders and other stakeholders, we shall disclose necessary information in a timely and fair manner and promote dialogue.

#### 6. Maintaining confidentiality

We shall ensure the protection of confidential information, both our own and that of third parties.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement

## 7. Information Security

We shall install appropriate information security measures to prevent information leaks and other breaches.

## 8. Relationships with companies we do business with

We shall build and maintain constructive relationships with the parties we do business with and refrain from inappropriate behaviors, such as the abuse of power.

## 9. Protection of intellectual property rights

In addition to protecting our own Company's intellectual property rights, we shall not infringe on the intellectual property rights of others.

## 10. Protection of personal information

We shall appropriately manage personal information, use it only for authorized purposes and prevent leaks.

## 11. Responsible advertising/promotional efforts

We shall engage in accurate and appropriate advertising and promotional efforts that do not cause misunderstanding or offense.

## 12. Healthy relationship with the government

We shall maintain a healthy and transparent relationship with the government that is in conformance with all laws.

## 13. Stance on organized crime

We shall have absolutely no involvement in organized crime.

## 14. Establishment of a whistleblowing mechanism

We shall establish a mechanism for people to report any suspicions of breaches to any laws or this Code of Conduct. By allowing reports to be made anonymously and strictly prohibiting retaliation against informants and other measures, we will actively promote its use.

### Ethical conduct

## 15. Avoidance of a conflict of interest

We shall make a clear distinction between professional and personal matters and refrain from activities that may constitute a conflict of interest with the company.

## 16. Prohibition of misappropriation of company assets

We shall not use company funds or assets for personal purposes.

## 17. Prohibition of insider trading

We shall take no part in insider trading, including being complicit with others.

## 18. Appropriate gift giving and entertainment

We shall neither accept nor offer gifts or entertainment that would be considered inappropriate according to socially accepted norms.

## 19. Prohibition of political or religious activities

During work hours, we shall not recruit or otherwise promote political, religious or other activities based on personal ideology.

### A respectful, healthy workplace

## 20. Respect for human rights

According to internationally accepted human rights norms, we shall respect the human rights of all individuals, including women, children, indigenous people, minorities and vulnerable people.



[Corporate Philosophy and Sustainability Management](#) - [Sustainability-related Policies and Philosophy](#) - [Mid-Term Sustainability Targets and Material Issues](#) - [Contributions to the SDGs and Material Issues](#) - [Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan](#) - [Stakeholder Engagement](#)

## 21. Prohibition of discrimination and the promotion of diversity

We shall not discriminate on the basis of race, ethnicity, nationality, gender, religion, ideology, disability, sexual orientation, gender identity or other. In addition, we shall work to secure and promote diversity.

## 22. Prohibition of forced labor and child labor

We shall not tolerate forced labor or child labor in any form.

## 23. Freedom of association and collective bargaining rights

In accordance with laws, we shall secure workers' rights for freedom of association and collective bargaining.

## 24. Appropriate working hours and wages

In accordance with laws, we shall ensure that working hours and wages are appropriate.

## 25. Work/life bala

We shall secure the appropriate balance between work and individual commitments, such as caring for children and the elderly.

## 26. Occupational health and safety

We shall strive to maintain a safe and healthy work environment. In addition, we shall implement regular educational and training programs to prepare for disasters, accidents and other.

## 27. Human resources development

We shall strive to nurture human resources by providing skill enhancement opportunities, such as training seminars.

## 28. Prohibition of harassment

We shall not commit or tolerate acts of sexual harassment, power harassment, inhumane punishment or other.

## 29. Protection of privacy

We shall respect and protect the individual's right to privacy.

### Business activities that respect society and the environment

## 30. Customer satisfaction and safety

We shall secure the safety and security of our customers and at the same time, sincerely engage with them and work to improve quality and customer satisfaction.

## 31. Coexistence with the environment


We shall strive to reduce the environmental impact of our products and services throughout their entire lifecycle, prevent global warming, recycle resources, prevent pollution and maintain biodiversity.


## 32. Contribution to the local community


We shall respect the local region's culture and customs and through dialogue, shall seek to contribute to their sustainable development.


Established July 1, 2017

[Click here for related information](#)

> [Sumitomo Forestry Group Code of Conduct Guidebook \(English\)](#) 

> [Sumitomo Forestry Group Code of Conduct Guidebook \(Indonesian\)](#) 

> [Sumitomo Forestry Group Code of Conduct Guidebook \(Vietnamese\)](#) 

> [Sumitomo Forestry Group Code of Conduct Guidebook \(Chinese\)](#) 



**Corporate Philosophy and Sustainability Management** - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement

## Participation and Sponsorship of Initiatives

### United Nations Global Compact

In December 2008, Sumitomo Forestry formally signed the United Nations (UN) Global Compact to declare our support for its principles. The ten principles of the UN Global Compact are based on globally established agreements, including the Universal Declaration of Human Rights, and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. They incorporate support of and respect for the protection of human rights and the eradication of forced and child labor.

#### The Ten Principles of the UN Global Compact

##### Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;and

Principle 2: make sure that they are not complicit in human rights abuses.

##### Labor

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labor;and

Principle 6: the elimination of discrimination in respect of employment and occupation.

##### Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility;and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

##### Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



Top  
Commitment**Sustainability  
Management**Initiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

Governance

Related  
Information

[Corporate Philosophy and Sustainability Management](#) - [Sustainability-related Policies and Philosophy](#) - [Mid-Term Sustainability Targets and Material Issues](#) - [Contributions to the SDGs and Material Issues](#) - [Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan](#) - [Stakeholder Engagement](#)

## World Business Council for Sustainable Development (WBCSD)

A group of CEOs over 200 companies committed to sustainable development, are working together to contribute to the transition to a sustainable society.



Sumitomo Forestry joined the Forest Solution Group (FSG), an internal initiative of the WBCSD, in January 2019 and joined the WBCSD in January 2020. In addition, Sumitomo Forestry has participated in the development of the Forest Sector SDG Roadmap (July 2019) to achieve the Sustainable Development Goals (SDGs) as well as the Forest Sector Net Zero Roadmap (November 2021) for a low carbon economy. In January 2022, Sumitomo Forestry took part as the only Japanese company in formulating the Forest Sector Nature-Positive Roadmap.

We advance efforts to resolve social issues through business to contribute to the SDGs and build a sustainable society.

## Task Force on Climate-related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures, formed at the direction of the Financial Stability Board (FSB) in April 2015, provides a framework for companies to voluntarily disclose information on climate-related risks and opportunities.



The Sumitomo Forestry Group recognizes the risks associated with climate change as serious risks, and announced its support to the TCFD in July 2018. Based on the TCFD recommendations scenario analysis was initiated the same year.

In addition, Sumitomo Forestry also participate in the TCFD Consortium, which discusses effective information disclosure by companies and initiatives to link disclosed information on climate change measures to financial institutions' appropriate investment decisions.

[Click here for related information](#)

> [Responding to TCFD](#)





[Corporate Philosophy and Sustainability Management](#) - [Sustainability-related Policies and Philosophy](#) - [Mid-Term Sustainability Targets and Material Issues](#) - [Contributions to the SDGs and Material Issues](#) - [Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan](#) - [Stakeholder Engagement](#)

## Science Based Targets (SBT)

The SBTi was established as a collaborative initiative of four organizations – the UN Global Compact, CDP, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) in 2015, to promote science-based Greenhouse Gases Emission reduction targets to prevent temperature increases from pre-industrial times.



With respect to SBT Initiative, Sumitomo Forestry Group declared that it would formulate SBT, and established new Greenhouse Gases Emission reduction targets for the entire group in June 2017. The following 2°C target was certified as an SBT in July 2018.

In addition, in order to accelerate the efforts of the Group, we raised the Greenhouse Gases Emission reduction target of Scope 1&2 in September 2021 from 21% reduction by 2030, to 54.6% reduction in line with the 1.5°C target of the Paris Agreement to respond to the Glasgow COP26.

### 2°C target (SBT approved)

- Scope 1&2<sup>\*1</sup>: 21% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030.
- Scope 3<sup>\*1</sup>: 16% reduction of total greenhouse gas emissions from Category 1 and Category 11<sup>\*2</sup> compared to 2017 (base year) by 2030.

### 1.5°C target (SBT application pending)

- Scope 1&2: 54.6% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030.
- Scope 3: 16% reduction of total greenhouse gas emissions from Category 1 and Category 11 compared to 2017 (base year) by 2030.

\*1 Scope 1: Direct GHG emissions of a company, including emissions from fuel consumption. E.g. CO<sub>2</sub> emissions from the use of gasoline for company vehicles.

Scope 2: Indirect GHG emissions including CH<sub>4</sub> and N<sub>2</sub>O from the generation of purchased electricity and heating. E.g. CO<sub>2</sub> emissions from the use of electricity by offices.

Scope 3: GHG emissions occurring in the supply chain. E.g. CO<sub>2</sub> emissions generated during the use of products sold.

\*2 Category 1: Greenhouse gas emissions during collection, manufacture, and transport of purchased or acquired goods and services included in Scope 3.

Category 11: Greenhouse gas emissions during use of sold products and services included in Scope 3.

[Click here for related information](#)

> [Mitigation of Climate  
Change](#)



[Corporate Philosophy and Sustainability Management](#) - [Sustainability-related Policies and Philosophy](#) - [Mid-Term Sustainability Targets and Material Issues](#) - [Contributions to the SDGs and Material Issues](#) - [Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan](#) - [Stakeholder Engagement](#)

## RE100

RE100 is an international initiative run jointly by The Climate Group, a global joint environmental NGO, and the CDP.



Sumitomo Forestry joined the RE100 in March 2020, with the goal of utilizing 100% renewable energy in its operations. Our goal is to transition fuel to generate power to 100% renewable energy in Sumitomo Forestry Group power and power generation businesses by 2040.

[Click here for related information](#)

Aiming for 100%

> [Renewable Energy and  
Joining the RE100](#)

## Participation and Sponsorship of Other Initiatives

### Major Participating Initiatives and Organizations

Organization
United Nations Global Compact * Including Global Compact Network Japan and its subcommittees (ESG Subcommittee, HRDD Subcommittee, WEPs Subcommittee, Anti-Corruption Subcommittee, Supply Chain Subcommittee, Circular Economy Subcommittee)
WWF Japan
CDP Japan Club
TCFD Consortium
Network for Promotion of Decarbonized Management (Ministry of the Environment)
COOL CHOICE Campaign (Ministry of the Environment)
Japan Climate Initiative (JCI)
Keidanren Committee on Nature Conservation
Japan Business Initiative for Biodiversity (JBIB), and its Working Groups (Sustainable Supply Chains Working Group, Discovering & Sharing Green Values Working Group, and Impact Assessment of Natural Capital Working Group)
TNFD Forum
30 by 30 Alliance (Ministry of the Environment)
GX League (Ministry of Economy, Trade and Industry)



[Corporate Philosophy and Sustainability Management](#) - [Sustainability-related Policies and Philosophy](#) - [Mid-Term Sustainability Targets and Material Issues](#) - [Contributions to the SDGs and Material Issues](#) - [Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan](#) - [Stakeholder Engagement](#)

## Major Signatures and Declarations

Name of Declaration	Date of endorsement/signature
Declaration of Biodiversity by Keidanren	December 2009 and December 2019
Nijumaru Declaration (Nijumaru Project)	May 2016
Japan Climate Action Summit Declaration (JCI)	October 2018
JCI Message Calling for Strengthened Climate Change Action (JCI)	February 2020
JCI Message Calling for a 2030 Target to Realize the Paris Agreement (JCI)	April 2021
Call to Action (Business for Nature)	September 2020
Open Letter from companies to G20 Leaders (We Mean Business Coalition)	September 2021
Race to Zero (Business Ambition for 1.5°C)	September 2021
JCI Message: Now is the time to accelerate renewable energy deployment	June 2022
COP15 Business Statement for Mandatory Assessment and Disclosure (Business for Nature)	October 2022



Corporate Philosophy and Sustainability Management - **Sustainability-related Policies and Philosophy** - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement

# Sumitomo Forestry Group's Sustainability Management

## Sustainability-related Policies and Philosophy

### Sumitomo Forestry Group's Sustainability-related Policies and Philosophy

The Sumitomo Forestry Group formulates separate policies for each issue related to sustainability management, and carries out initiatives according to those policies.

### Environmental Policies

Click here for related information

- > Sumitomo Forestry Group Environmental Policy
- > Policy on Biodiversity Conservation in Company-Owned Forests in Japan (excerpt)



### Social Policies

Click here for related information

- > Sumitomo Forestry Group Procurement Policy
- > Green Procurement Guidelines (excerpt)
- > Sumitomo Forestry Group Occupational Health and Safety Policy
- > Sumitomo Forestry Group Quality Policy
- > Sumitomo Forestry Group Human Rights Policy
- > Sumitomo Forestry Group Declaration on Empowering Women
- > Sumitomo Forestry Group Declaration on Health Management
- > Basic Policy on Social Contribution Activities/Donations

### Governance Policies

Click here for related information

- > Basic Policy on Corporate Governance 
- > Sumitomo Forestry Group Code of Conduct
- > Preventing Corruption
- > Promotion of Fair Competition and Appropriate Transactions with Subcontractors
- > Information Security Policy
- > Intellectual Property Management Policy
- > Management and management responsibility system for public research funds, and prevention of research misconduct (in Japanese) 
- > Responsible Advertising/Promotional Efforts



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - **Mid-Term Sustainability Targets and Material Issues** - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement

# Sumitomo Forestry Group's Sustainability Management

## Mid-Term Sustainability Targets and Material Issues

### Mission TREEING 2030

In February 2022, aiming toward creating a decarbonized society by 2050 and with the 2030 target date for achieving the SDGs in mind, the Sumitomo Forestry Group formulated Mission TREEING 2030 and Mission TREEING 2030 Phase 1. Mission TREEING 2030, our long-term vision, incorporates our ideal vision of the Sumitomo Forestry Group into our long-term business concept, while Mission TREEING 2030 Phase 1 is our Mid-Term Management Plan covering 2022 to 2024. Mission TREEING 2030 sets out the following four strategies as our business policy: 1. Maximizing the value of forests and the wood to create decarbonization and create a circular bioeconomy; 2. Advancing globalization; 3. Striving for transformation and the creation of new value; and 4. Transforming our business foundation for growth. To achieve this long-term vision, we aim to simultaneously supply value for our planet, value for people and society, and value for the market economy, without compromising on any of these values and by enhancing value in each of these areas.

## Mission TREEING 2030

~ Making our planet safer and more secure for future generations ~

By providing value to our planet, to people and society, and to the market economy, we at Sumitomo Forestry Group will strive to make our planet safer and more secure for current and future generations of people and all living beings. With our long-held strengths in harnessing and expanding the value of forests and wood, we will create change for a new future.



Value for our planet



Value for people  
and society



Value for the  
market economy

[Click here for related information](#)

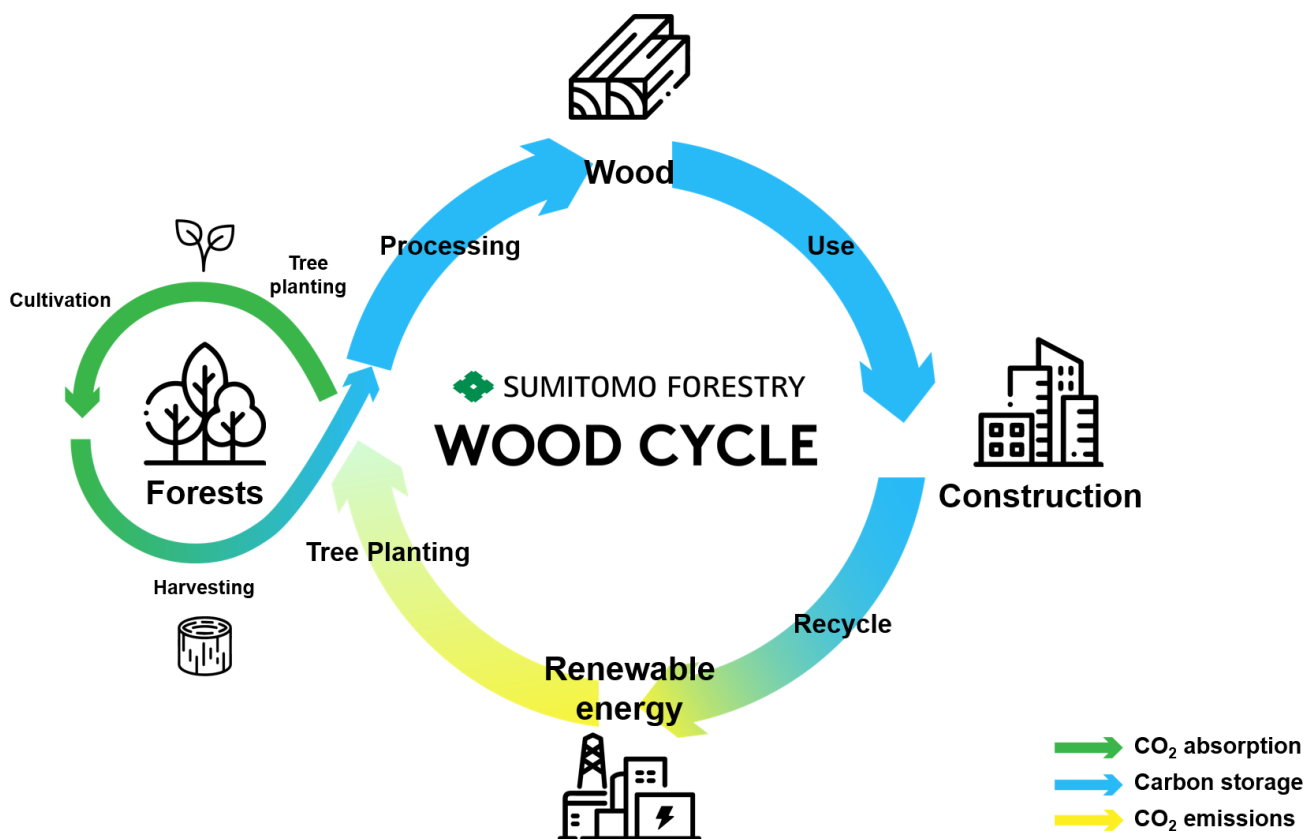
> [Overall Picture of Long-term Vision Mission TREEING 2030](#)



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - [Mid-Term Sustainability Targets and Material Issues](#) - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement

## WOOD CYCLE

The Sumitomo Forestry Group is developing business activities through the "WOOD CYCLE," a value chain based on wood, from forest management to wood processing and distribution, wooden buildings, and biomass power generation. We contribute to a decarbonized society by turning the "WOOD CYCLE" in other words, by planting and cultivation, increasing the amount of CO<sub>2</sub> absorbed by forests, promoting carbon storage inside wood, and using the wood in buildings and furniture to store carbon over a long period of time. Through this business as a whole, we will contribute to CO<sub>2</sub> absorption and fixation not only for ourselves but also for society as a whole.



## Mid-Term Sustainability Targets

The Sumitomo Forestry Group has announced "Mission TREEING 2030 Phase 1" (2022-2024), the first phase of its long-term vision "Mission TREEING 2030," a three-year Mid-Term Management Plan that provides the groundwork for future growth and contribution to decarbonization. One of the five basic policies is "Further Integration of Business and ESG," and the Group has established "Sustainability Targets as part of Mid-Term Management Plan in fiscal 2024," which incorporates the Group's sustainability strategy and material issues.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - **Mid-Term Sustainability Targets and Material Issues** - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement

### **(1) Striving for decarbonization through utilization of wood resources**

- Develop new businesses that pursue the value of forests as a carbon dioxide sink
- Promote initiatives that enhance the competitiveness of domestic wood
- Expand our medium- and large-scale wooden construction business

### **(2) Enhancing our revenue base**

- Recovery of profitability of our Housing & Construction business and Timber and Building Materials business, and promotion of reforms in anticipation of future market shifts
- Improve resource efficiency

### **(3) Accelerating globalization**

- Expand our Housing and Real Estate Business operations in the United States and Australia and create a revenue base in Asia

### **(4) Reinforcing our management foundation for sustainable growth**

- Promote digitalization
- Secure and nurture human resources and improve engagement with employees
- Reinforce risk management

### **(5) Further integration of business and ESG**

- Steadily implement initiatives to achieve RE100/SBT (Science Based Targets)

"Mid-Term Sustainability Targets in fiscal 2024" is a revision of the specific ESG-related goals in the Mid-Term Management Plan that has been in operation since fiscal 2019, with the goal of better aligning our business and ESG strategies in accordance with the new policies of the Mid-Term Management Plan. Under the long-term vision "Mission TREEING 2030", the value created by the Group was organized from the perspectives of providing "Value for our planet", "Value for people and society", and "Value for the market economy", and Nine Material Issues were newly identified. Specific numerical targets have been defined for each business unit in more detail until 2024 in order to realize these Nine Material Issues.

We believe that it will not only meet the expectations of society, including the SDGs, but also lead to an increase in corporate value that cannot be judged only from the economic perspective.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - **Mid-Term Sustainability Targets and Material Issues** - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement

## Nine Material Issues and Related SDGs

Theme	Nine Material Issues		Relevant SDGs
Value for our plane	1	To enhance the value of forests and wood through sustainable forest management	
	2	To realize carbon neutrality by leveraging forests and wood resources	
	3	To realize a circular bioeconomy by leveraging forests and wood resources	
Value for people and society	4	To provide comfortable and secure spaces for society at large	
	5	To improve the livelihood of the local communities where we operate	
	6	To create a vibrant environment for all workers	
Value for the market economy	7	To create new markets with forests and wood	
	8	To transform markets through DX and innovation	
	9	To establish a robust business structure	

## Identification of Material Issues

Following on from 2008, the Sumitomo Forestry Group identified important CSR issues in March 2015. Since then, major changes have occurred around the world, including adoption of the SDGs (Sustainable Development Goals) and the conclusion and entry into force of the Paris Agreement, and in Japan, the GPIF (Government Pension Investment Fund) signing of the PRI (United Nations Principles for Responsible Investment) has accelerated the trend toward ESG investment. In response to these trends, the Sumitomo Forestry Group developed its long-term vision "Mission TREEING 2030" in February 2022, which newly identified Nine Material Issues. In addition to analyzing geopolitical changes, technological innovations such as digitalization, and changes in the stakeholder preferences such as employees and customers' choices, we've also used Sumitomo Forestry Group's strengths, which have grown significantly through M&A and capital and business alliances, to identify areas where the Group can make a unique contribution, not just to sustainability, but also as Material issues of the Group's overall business.





Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - **Mid-Term Sustainability Targets and Material Issues** - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement

## Identification Method of Material Issues

In order to formulate our mission, we conducted a questionnaire survey of all stakeholders, including customers, business partners, shareholders and investors, outside experts, and employees, and received responses from approximately 6,000 people. Based on external changes (Megatrends), we identified matters that would impact on the Sumitomo Forestry Group and set 35 issues while classifying into 5 categories of "Environmental Issues (Climate change)," "Environmental Issues (Resources and Biodiversity)," "Social Issues," "Governance," and "Economic Issues" and let respondents select what they think was important. Individual interviews with young employees and management-level personnel were also conducted.

We narrowed down the material issues for the Sumitomo Forestry Group based on the results of these questionnaires and interviews. Furthermore, we incorporated management's opinions and performed materiality assessments in consideration of risks and opportunities through a series of discussion among management ranks. Finally, we selected the Nine Material Issues from three perspectives: "Value for our planet," "Value for people and society" and "Value for the market economy."

## Management of Mid-Term Sustainability Targets

We have set numerical targets for Mid-Term Sustainability Target of the Mid-Term Management Plan based on our contribution to the SDGs and the Nine Material Issues that are directly linked to our business.

Each group company and department has set "Sustainability Budget" with numerical targets set for the fiscal year and engaging in initiatives to achieving these goals.

The Sumitomo Forestry Group fully implements a PDCA cycle for progress and achievements of each target at the Sustainability Committee convened two times a year in addition to providing reports to the Board of Directors.

Material Issues 1: To enhance the value  
> of forests and wood through sustainable  
forest management

Material Issues 4: To provide  
> comfortable and secure spaces for  
society at large

Material Issues 7: To create new markets  
> with forests and wood

Material Issues 2: To realize carbon  
> neutrality by leveraging forests and  
wood resources


Material Issues 5: To improve the  
> livelihood of the local communities  
where we operate

Material Issues 8: To transform markets  
> through DX and innovation

Material Issues 3: To realize a circular  
> bioeconomy by leveraging forests and  
wood resources

Material Issues 6: To create a vibrant  
> environment for all workers

Material Issues 9: To establish a robust  
> business structure

> Sustainability Targets as part of Mid-term Management Plan in 2022-2024 

[Corporate Philosophy and Sustainability Management](#) - 
 [Sustainability-related Policies and Philosophy](#) - 
 **[Mid-Term Sustainability Targets and Material Issues](#)** - 
 [Contributions to the SDGs and Material Issues](#) - 
 [Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan](#) - 
 [Stakeholder Engagement](#)



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Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement

# Sumitomo Forestry Group's Sustainability Management

## Contributions to the SDGs and Material Issues

### Basic Policy

The Sustainable Development Goals (SDGs) adopted by the United Nations General Assembly in 2015 set 17 goals on subjects such as poverty, equality, education, and the environment for all nations and regions to achieve by 2030. The SDGs work to solve various global issues raised as principles toward building a better international society that leaves no one behind. Our initiatives to address social issues identified in the SDGs will result in the creation of new business opportunities and business growth. On the other side, if the initiatives are not fully implemented, there is a risk of delays in complying with laws and regulations, as well as a risk of reputational damage.

### Sustainability Targets of Mid-Term Management Plan in fiscal 2024 and SDGs

In February 2022, in anticipation of 2030, Sumitomo Forestry Group newly formulated a long-Term vision "Mission TREEING 2030" and Medium-Term management plan "Mission TREEING 2030 Phase 1" (2022 - 2024), which incorporated the ideal form of the Sumitomo Forestry Group into the business concept, with an aim of realizing a decarbonized society. One of the five basic policies is "Further Integration of Business and ESG," and the Group has established "Sustainability Targets as part of Mid-Term Management Plan in fiscal 2024," which incorporates the Group's sustainability strategy and material issues. As for "Sustainability Targets as part of Mid-Term Management Plan in fiscal 2024," specific numerical targets are set for each business division while incorporating SDGs perspectives to address the nine material issues identified by Sumitomo Forestry Group until fiscal 2024. We shall aim to contribute to realization of a sustainable and prosperous society.

## SUSTAINABLE DEVELOPMENT GOALS





Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - **Contributions to the SDGs and Material Issues** - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement



## Material Issues and SDGs (Goals and Targets)

To integrate the material issues that we have identified and SDG initiatives, the Sumitomo Forestry Group has associated SDGs (goals and targets) with the 15 qualitative targets of material issues as shown below. In these activities, each division always promotes use of the PDCA cycle to establish a system for achieving the SDGs by first using indicators for evaluation (numerical targets) with fiscal 2024 set as target based on the Mid-Term Sustainability Targets.

Nine Material Issues	Details of Material Issues	Relevant SDGs (Goals and Targets)		
1) To enhance the value of forests and wood through sustainable forest management	Nurturing forests to enhance and harness the value of wood and other forest resources.	 13.1	 15.1 15.2 15.3 15.4	
2) To realize carbon neutrality by leveraging forests and wood resources	Contributing to the decarbonization of society by reducing our own GHG emissions, by offering timber and wood products that sequester carbon, and by providing low-carbon/carbon-free products and services.	 7.2	 13.1 13.2	
3) To realize a circular bioeconomy by leveraging forests and wood resources	Realizing a circular society by making the most of wood, a renewable and natural resource from the forest ecosystem.	 7.2 11.6	 12.2 12.5	 15.1 15.2 15.4
4) To provide comfortable and secure spaces for society at large	Providing safe, comfortable, and secure spaces to society at large.	 3.9	 9.4	 11.6
5) To improve the livelihood of the local communities where we operate	Creating jobs through our businesses and contributing to the development of local communities.	 3.9	 8.3	 11.3
6) To create a vibrant environment for all workers	Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated.	 3.9	 5.5	 8.5 8.8
7) To create new markets with forests and wood	Creating new markets that enrich the economy through the resourceful use of forests and wood.	 9.4	 11.3	



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - **Contributions to the SDGs and Material Issues** - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement

Nine Material Issues	Details of Material Issues	Relevant SDGs (Goals and Targets)		
8) To transform markets through DX and innovation	Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.	 9.4		
9) To establish a robust business structure	Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances.	 16.5 16.7		

## Dissemination of SDGs

The Sumitomo Forestry Group believes that it is crucial to disseminate and foster an understanding of SDGs to contribute to the SDGs through business. We conduct various initiatives to raise awareness in not only our employees but all of our stakeholders (examples below).

### Implementation of SDGs Workshops and Recognition Surveys

The Sumitomo Forestry Group holds employee workshops and training by external lecturers for employees to provide learning opportunities that link SDGs to business operations.

As one example of our workshops, participants play a card game in which participants envision the achievement of their life goals at the year 2030, such as wealth acquisition, comfortable leisure lifestyle, and environmental conservation in light of economic, social and environmental barometers that reflect global circumstances. Participants were divided into groups, which then used Lego blocks as a tool to discuss what they can do based on the results as members of the Sumitomo Forestry Group to help realize a world in which "No one will be left behind".



Workshop Using Lego Blocks

Recognition surveys about the Sumitomo Forestry Group's SDG initiatives were also conducted for Group employees in Japan, which showed 87% of respondents knew about the SDGs.

The workshops and other efforts at the Sumitomo Forestry Group aim to further disseminate SDGs understanding and action toward achieving the goals, both internally and externally.

Top  
CommitmentSustainability  
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Forestry Group's  
Business and ESG

Environment

Social

Governance

Related  
Information

Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - **Contributions to the SDGs and Material Issues** - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement

## Registration as a Company Promoting SDGs in Niihama City

The Niihama City SDGs Promotion Company Registration System that supports companies actively working to achieve the SDGs welcomed the Sumitomo Forestry Niihama General Administration Office as a member in February 2021.

In Niihama where the Sumitomo Forestry Group was founded, we will continue to advance activities to achieve the SDGs from encouraging the employment of people with disabilities and procuring plantation wood and certified timber which considers sustainability and biodiversity to creating public forest benefits through the management of company owned forests.

In March 2022, we reported on the progress of our efforts and activities to achieve the SDGs and on the targets for fiscal 2024, which will serve as a new indicator.

## "ESD (Education for Sustainable Development) Assistant Supervisor Workshop in Niihama City" was held

In November 2021, a training session for 26 Assistant Supervisors from elementary and junior high schools in Niihama was held at Forrester House, our forest information dissemination facility, at the request of Niihama Board of Education.

Training session included classroom lectures about the Sumitomo Forestry Group's businesses and the forest ecosystem, as well as field work such as walking around the neighborhood and visiting the experimental forest (fixed standard trees) to learn about Sumitomo Forestry's history, initiatives, and philosophy etc.

We will continue to assist Niihama City in achieving the SDGs in the future, such as by giving on-site classes at schools.



## Giving on-site classes at elementary schools in Niihama City

The Niihama City Board of Education is developing educational activities in collaboration with schools and local communities in order to nurture leaders of a sustainable society. In response to a request for cooperation in environmental education, Sumitomo Forestry visited each elementary school and held classes.

In the on-site classes, participants learned about the workings of trees and forests and their public benefits while introducing examples of Sumitomo Forestry's work and initiatives.

Top  
Commitment**Sustainability  
Management**Initiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

Governance

Related  
Information

Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - **Contributions to the SDGs and Material Issues** - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement



4th graders at Izumigawa Elementary School held in March 2022



5th graders at Habu Elementary School held in March 2022

## Registration as a Kanagawa SDGs Partner

The Kanagawa SDGs Partner program is a registration program to encourage cooperation in efforts between the prefecture and corporations and other entities working to achieve the SDGs in the prefecture. Sumitomo Forestry has been registered as a Kanagawa SDGs Partner on April 13, 2020. Broader standardization of ZEH to reduce greenhouse gas emissions aims to help combat climate change, energize the economy and bring greater environmental awareness. In addition, we internally announce our progress every quarter regarding ZEH penetration in the Kanagawa area with a goal of raising awareness of employees who belong to affiliate companies. The ZEH ratio at the time of order receipt grew from 67.7% in 2021 to 78.7% in 2022, as a result of these and other initiatives.



**KANAGAWA SDGs PARTNER**  
神奈川県 SDGs推進パートナー登録制度



Kanagawa SDGs Partner Logo

## Committing to the Shizuoka City SDGs Declaration

The Shizuoka Branch of the Housing Division at Sumitomo Forestry is committed to the Shizuoka City SDGs Declaration which has been encouraging SDG activities through offices and associations in Shizuoka City in addition to develop and broadly share excellent case studies since November 2019. As a target of initiatives, we have set an 80% standardization rate for Net Zero Energy Houses (ZEH).

In addition, Hamamatsu Kita High School in Shizuoka Prefecture interviewed us online about the SDGs in February 2022 and explained our initiatives to 10 first-year students enrolled in the international course.

[Click here for related information](#)

- > Promotion of Net Zero Energy House (ZEH)
- > Specifications

Top  
Commitment**Sustainability  
Management**Initiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

Governance

Related  
Information

Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - **Contributions to the SDGs and Material Issues** - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement

## Registered under the Maebashi City SDGs Partner Program

In November 2022, based on the philosophy of SDGs, the Gunma Branch of the Housing Division was registered in the "Maebashi City SDGs Partner Program" as a company, an organization, or the like that works together to solve regional issues and to create sustainable communities without leaving anyone behind, and stated that the Gunma Branch aims at 80% spread of ZEH in the action declaration for achieving SDGs.

## Publication of Examples to the Educational "EduTown SDGs" Website for Elementary and Junior High School Students

Tokyo Shoseki provides educational materials on the educational EduTown: Let's Build Our Future website for the SDGs to inspire elementary and junior high school students to think about the future of our planet from a global perspective through each sustainable development goal and learn what they can do. This website also includes our activities since fiscal 2020 to foster circular forest resources by planting and using trees as an example for Goal 15 of the SDGs.

Click here for related information

> EduTown: Let's Build Our Future (in Japanese)



> Example of Our Initiative for Goal 15 (in Japanese)



## Education on the SDGs among owners of Sumitomo Forestry Houses

Reborn vegetables were introduced in the issue 101 of Lovely Family, an information magazine for owners of "Sumitomo Forestry homes" published in June 2022. In the issue 102 of Lovely Family published in November 2022, we introduced the wood cycle and afforestation under the title of "Sumitomo Forestry × Decarbonization."

In addition, beginning with Lovely Family issue 101, we changed the envelope for sending from vinyl to paper.



Lovely Family Issue 101 Reborn Vegetables



Issue 101 envelope



Top  
Commitment**Sustainability  
Management**Initiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

Governance

Related  
Information

Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - **Contributions to the SDGs and Material Issues** - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement



Lovely Family issue 102 "Sumitomo Forestry × Decarbonization"



Issue 102 envelope

## Initiatives in Sustainable Finance

### Conclusion of Positive Impact Financing Agreement

In March 2020, the Company entered into the Sumitomo Mitsui Trust Bank, Limited Positive Impact Finance (a type of business loan that does not specify the use of funds) agreement, which is a financing loan that aligns with the United Nations Environmental Programme Finance Initiative\*<sup>1</sup> Principles for Positive Impact Finance\*<sup>2</sup>. This borrowing not only praises Sumitomo Forestry initiatives that contribute to the SDGs but also provides favorable interest rates than standard financing. In regards to this financing, Japan Credit Rating Agency, Ltd. has provided a third-party opinion\*<sup>3</sup> about the rationality of evaluation factors used and the compliance to the Principles for Positive Impact Finance.

In the future, Sumitomo Forestry also aims to improve medium-to long-term corporate value by further enhancing initiatives to achieve the SDGs.

\*1 UNEP FI established the Principles for Positive Impact Finance in January 2017. Companies disclose their contributions toward achieving the SDGs and banking institutions evaluate the positive impact and provide capital in an effort to maximize the positive impact and minimize the negative impact of corporate entities. The banking institutions providing the financing take responsibility to monitor the indicators and verify ongoing positive impact. The United Nations Environment Programme (UNEP) is a subsidiary body of the United Nations established in 1972 as an implementing agency for the Declaration of the United Nations Conference on the Human Environment and the International Environment Action Programme. UNEP FI is a broad and close partnership between UNEP and more than 200 global financial institutions. Since its establishment in 1992, it has been working with financial institutions, policies, and regulators to transform itself into a financial system that integrates economic development with environmental, social and governance (ESG) considerations.

\*2 This is a financial framework for achieving the Sustainable Development Goals (SDGs) formulated by the United Nations Environment Programme Finance Initiative (UNEP FI) in January 2017. By disclosing contributions to the achievement of SDGs, with banks assessing the positive impact of these contributions and providing funds, the framework guides the efforts of fund providers to increase positive impacts and reduce negative impacts. As the responsible financial institution, lending banks monitor indicators to ensure that their impacts are continuing.

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> [Third-party Opinion on Positive \(in Japanese\)](#)





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### Conclusion of Sustainability Linked Loan

In August 2022, we concluded a sustainability linked loan with Sumitomo Mitsui Banking Corporation. Sustainability linked loans set sustainability performance targets ("SPTs") based on the borrower's management strategy, and promote environmentally and socially sustainable economic growth by aligning borrowing terms with actual progress of SPTs. By aiming to achieve the SPTs set in the loan agreement, we will promote sustainable management.

The SPTs in this case adopt a climate change score by which CDP\*, an international NGO, evaluates the greenhouse gases emission reduction activity and the action of the climate change mitigation measures.

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> Issuance of Green Bonds



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

# Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

## Material Issue 1 To enhance the value of forests and wood through sustainable forest management

### Material Issue 1

#### Material Issue 1 To enhance the value of forests and wood through sustainable forest management

Nurturing forests to enhance and harness the value of wood and other forest resources.

### Related SDGs



### Basic Policy

As global environmental problems such as climate change, resource depletion, and biodiversity loss become more serious, expectations for wood and forests that produce natural resources and biological resources to solve these problems are rising. Forests not only have functions of absorbing and fixing CO<sub>2</sub>, conserving biodiversity, and producing wood building materials, fuel materials, or the like, but also have various public benefits such as water source recharge, soil conservation, and sediment disaster prevention.

Sumitomo Forestry Group has developed various businesses centered on wood, such as forestry business, timber and building material distribution and manufacturing business, housing and building business, and renewable energy business. "The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society." In order to realize our Corporate Philosophy, we intend to enhance value of forest resources by promoting further integration of business and ESG and by conducting sustainable forest management and use of wood.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Impact on Society and the Environment

Material Issue 1	Impact (Influence)
<p><b>To enhance the value of forests and wood through sustainable forest management</b></p> <p>Nurturing forests to enhance and harness the value of wood and other forest resources.</p>	Contribution to measures against global warming through CO <sub>2</sub> fixation
	Contributing to the protection of rare species and other conservation of biodiversity
	Contribution to revitalization of the forestry business by promoting forest sustainability
	Securing seedlings for reforestation and promoting circular use of forest resources from harvesting to replanting
	Contribution to greater biomass power generation (renewable energy supply) capacity in Japan
	Contribution to revitalization of the forestry business by utilizing domestic timber
	Enhancing standardization, awareness, and added value of sustainable and certified wood and wood products

## Management of Material Issue 1 (FY2022)

In Mid-Term Sustainability Targets 2024, Material Issue 1 is divided into 9 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.

## Utilization of Sustainable Forest Resources

The Sumitomo Forestry Group produces seedlings needed for reforestation after harvesting (clearcutting) in Japan. In fiscal 2022, the number of seedlings shipped was 1.88 million compared to the planned 2.23 million, falling short of the plan due to the fact that fall demand did not meet our anticipation, but the number exceeded the fiscal 2021 level (1.46 million), a record high, due to a recovery in reforestation demand. In fiscal 2023, we will contribute with our effort to sustainable forest management by increasing the number of seedlings, focusing on spring shipments, which are in high demand.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Domestic and overseas certified forest area (ha)	Environment and Resources Division	242,493	231,153	△	242,493	242,493
Area of forest plantation with in-house produced seedlings Domestic forest (ha)		892	753	△	892	1,012
Seedlings supplied Domestic forest (unit: 10 Thousand)		223	188	△	223	253
Amount of biofuel material used (such as wood chips and pellets) <sup>1</sup> (t)	Environment and Resources Division Timber and Building Materials Division	1,832,890	1,648,729	△	2,073,948	2,482,964
Percentage of sustainable wood used as primary building material <sup>2</sup> (%)	Housing Division	100	100	○	100	100
Maintaining of SGEC certified area <sup>3</sup> (%)	Environment and Resources Division	100	100	○	100	100

\*1 FIT fuel material and non-FIT fuel material handled by Japan Bio Energy, Okhotsk Bio Energy, Sumitomo Forestry Wood Products, and Sumitomo Forestry's Timber and Building Materials Division are eligible. For Sumitomo Forestry Wood Products, the KPI has been changed to include only FIT fuel material, and from fiscal 2022, the KPI excludes non-FIT fuel material and adds log-derived FIT fuel material to the total. The impact of this change is a decrease of about 200 thousand tons.

\*2 "Sustainable wood" is defined as certified wood and pre-certified timber, wood from planted forest, natural forest wood where forestry management and distribution can be assessed as sustainable (excluding wood from conversion forests), and recycled timber.

\*3 Except for land leased to Kawanokita Development and surrounding forests

## Biodiversity Conservation

We sell native species logs mainly to our detached housing business, to the greening business in urban spaces such as parks, office buildings, and factories, and to general customers such as garden landscapers and plant wholesalers.

In fiscal 2022, we were able to sell 521,000 trees, more than planned, the volume increasing due to construction delays from fiscal 2021, caused by the impact of the pandemic of coronavirus disease (COVID-19). We will continue to increase the sale of native species logs that are appropriate for the region, thereby strengthening efforts to conserve the ecosystem and promoting regional development that makes the most of the natural environment.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Sales of native species logs (unit: trees)	Housing Division	470,000	521,000	○	480,000	500,000
Securing ratio of conservation forests in company-owned forests (%)	Environment and Resources Division	30 or more	30 or more	○	30 or more	30 or more
Establishment of evaluation method for biodiversity conservation		Information collection	Information collection	○	Examination of evaluation criteria	Establishment of evaluation method

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Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

# Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

## Material Issue 2 To realize carbon neutrality by leveraging forests and wood resources

### Material Issue 2

#### Material Issue 2 To realize carbon neutrality by leveraging forests and wood resources

Contributing to the decarbonization of society by reducing our own GHG emissions, by offering timber and wood products that sequester carbon, and by providing low-carbon/carbon-free products and services.

### Related SDGs



### Basic Policy

Since wood absorbs and fixes CO<sub>2</sub> in the process of growth and only a small amount of CO<sub>2</sub> during production, it is important to actively use wood for the transition to decarbonized society.

Since founding, the Sumitomo Forestry Group has been developing its business centered on wood, and will continue to propose further utilization of wood in the fields of forest, wood, and construction. With respect to forest, we will promote zoning forest management to expand conservation forest that absorb carbon dioxide and accelerate logging and replanting of working forests that promote carbon fixation. Carbon offset contributes to decarbonization of other companies and society, and realizes sustainable business. Regarding wood, we will promote long-term carbon fixation value of wood, enhance competitiveness of domestic wood, and promote wooden construction and wood conversion of buildings. In construction, we will contribute to decarbonization of society as a whole by promoting decarbonized architecture by establishing and standardizing decarbonization design methods such as promoting LCCM housing and net-zero carbon buildings in Japan and overseas.

The Sumitomo Forestry Group's internal and supply chains, which provide the value of wood, will steadily implement SBT-based greenhouse gas emissions reduction targets, including the achievement of the RE100.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Impact on Society and the Environment

Material Issue 2	Impact (Influence)
<p><b>To realize carbon neutrality by leveraging forests and wood resources</b></p> <p>Contributing to the decarbonization of society by reducing our own GHG emissions, by offering timber and wood products that sequester carbon, and by providing low-carbon/carbon-free products and services.</p>	Reducing energy consumption (greenhouse gas emissions) throughout all of society by reducing the housing related energy use, which has the majority of energy use/ time spent in daily life.
	Heightening environmental awareness of consumers (residents)
	Contributing to the reduction of the environmental impact and solutions to climate change by achieving SBT and RE100
	Building a sustainable society by providing sustainable architecture
	Building a new forest value creation business

## Management of Material Issue 2 (FY2022)

In Mid-Term Sustainability Targets 2024, Material Issue 2 is divided into 19 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.

### Promotion of decarbonization

Although greenhouse gas emissions amounted to 355,928 t-CO<sub>2</sub>e and did not reach the target for fiscal 2022, we were able to reduce emissions from 370,772 t-CO<sub>2</sub>e in fiscal 2021. One of the reasons for the reduction from fiscal 2021 is that, while emissions in the Global Housing, Construction and Real Estate Division increased due to more frequent use of commercial vehicles after the restrictions due to coronavirus disease (COVID-19) were lifted, the ratio of coal co-firing was reduced at Mombetsu Biomass Electric Power. In the Medium-Term Management Plan(2022-2024), we aim to achieve 289,469 t-CO<sub>2</sub>e in the final year of 2024 (down 21.7% from the fiscal year ended March 31, 2018) by continuing to reduce the ratio of coal co-firing at Mombetsu and promoting convert to renewable energy efforts in order to achieve RE100.

The percentage of orders for ZEH type houses out of new custom-built detached housings increased 9.8 percentage points from 67.4% in fiscal 2021 to 77.2% in fiscal 2022, achieving the 75% target on schedule.

We have achieved positive results by making people aware of and actively utilizing the government's ZEH subsidies and the "Children's Future Housing Support Project," which provides subsidies for energy-saving home improvements by households raising children or of young couples, and we plan to continue promoting the various subsidies in accordance with customer needs. We will continue our efforts to promote the ZEH penetration, targeting 80.0% in fiscal 2024, the final year of Mid-Term Sustainability Targets.





Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Fixed amount of CO <sub>2</sub> in domestic company-owned forests(t-CO <sub>2</sub> )	Environment and Resources Division	13,547 thousand	13,730 thousand	○	13,617 thousand	13,758 thousand
Carbon stock from production forests by overseas afforestation companies(t-CO <sub>2</sub> )		10,133 thousand	10,661 thousand	○	10,133 thousand	10,133 thousand

## Promotion of decarbonization (scope 1, 2)

### Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Greenhouse gas emissions(t-CO <sub>2</sub> e) Percentage change from fiscal 2017	All Sumitomo Forestry Group Companies	329,700 ▲10.8	355,928 ▲3.7	△	309,800 ▲16.2	289,469 ▲21.7
Sumirin Denki subscription rate (%)	Electricity sale after FIT	40.0	50.3	○	45.0	45.0
	New owner's purchased power	-	-	-	37.0	50.0
Renewable energy consumption rate [Efforts to achieve RE100] (%)*	All Sumitomo Forestry Group Companies	4.1	3.9	△	6.1	35.1

\* Excluding offices and other facilities located in New Zealand, which is aiming to achieve RE100 by 2035 as a whole nation.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Promotion of decarbonization (scope 3)

### Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Percentage of orders for ZEH type houses out of new custom-built detached housings (%)	Housing Division	75.0	77.2	○	75.0	80.0
Environmentally sound remodeling order rate for Customers (%)		70.0	64.6	×	72.0	75.0
Rate of orders for Environmentally sound products <sup>1</sup> (%)		60.0	57.9	×	61.0	62.0
[New custom-built detached houses] BELS acquisition rate <sup>2</sup> (%)		98.5	98.4	×	98.5	98.5
[House and land package] Environmental equipment (PV / FC) installation rate (green smart rate) (%)		15.0	20.3	○	30.0	30.0
Environmentally friendly remodeling order rate for Owners (%)		65.0	60.7	×	67.0	70.0
Environmentally friendly remodeling order rate for Customers + Owners (%)		67.3	62.5	×	69.3	72.2
[MOCCA (Timber Solutions)] Number of proposals based on basic plan (cases)		24	20	△	26	28



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Amount of electricity supplied by renewable energy business <sup>*3</sup> (MWh)	Environment and Resources Division	751,110	746,486	△	764,701	856,022
New forest value creation business-based profit, loss and income ratio expansion		Examination of numerical targets	Scheme under construction	—	Development of numerical targets	Achievement of numerical targets
Environmental certification number of projects targeted for Edge(Asia)(cases)	Global Housing, Construction and Real Estate Division	1	1	○	1	1

\*1 (1) local seedlings, (2) permeable paving material, (3) green wall construction, (4) rooftop greening, (5) biotope and (6) use of recycled materials

\*2 At the start of construction of the main unit

\*3 The figures are for Mombetsu Biomass Electric Power, Hachinohe Biomass Electric Power, Kawasaki Biomass Electric Power, Tomakomai Biomass Power, Kanda Biomass Energy, and Kashima Solar Power Plant. For equity-method affiliates, electricity supply is calculated according to their equity share.

#### Utilization of Sustainable Forest Resources

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Sales quantity of KIKORIN-PLYWOOD (Month) (m <sup>3</sup> )	Timber and Building Materials Division	32,000	28,452	×	35,000	35,000

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Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

# Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

## Material Issue 3 To realize a circular bioeconomy by leveraging forests and wood resources

### Material Issue 3

#### Material Issue 3 To realize a circular bioeconomy by leveraging forests and wood resources

Realizing a circular society by making the most of wood, a renewable and natural resource from the forest ecosystem.

### Related SDGs



### Basic Policy

Against the background of concerns about resource depletion, biodiversity loss, and environmental pollution caused by harmful substances and marine plastics, it is necessary to build a circular economy that thoroughly recycles and makes effective use of resources. Circular economy is an economic model that aims to design products and services that reduce environmental burdens such as disposal and pollution, and to continue to circulate the raw materials and products at a high level.

The Sumitomo Forestry Group realizes a circular bioeconomy centered on wood by running a wood cycle that cascades utilization of timber, which is a renewable and sustainable natural resource, in the forest, wood, architecture, and the field of energy such as biomass power generation and increasing the value of wood resources. For resources other than wood, we will strive to control, reuse, and recycle waste. We will also continue to investigate sustainability of our supply chain for the sustainable use of resources.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

### Impact on Society and the Environment

Material Issue 3	Impact (Influence)
<b>To realize a circular bioeconomy by leveraging forests and wood resources</b>  Realizing a circular society by making the most of wood, a renewable and natural resource from the forest ecosystem.	Protecting resources and reducing the environmental impact by advocating for recycling and zero emissions
	Solutions to water issues
	Improvement of environmental awareness in supply chain

### Management of Material Issue 3 (FY2022)

In Mid-Term Sustainability Targets 2024, Material Issue 3 is divided into 18 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.

### Reduction and Recycling of Industrial Waste

Total amount of industrial waste discharged from all branches (kg / building) was 2,585 kg, significantly lower than the 2,837 kg emitted in fiscal 2021, and also lower than the targeted amount (2,709 kg). The steady progress in the adoption of pre-cut materials such as "Kizure Panels" and slates, along with the curbing of the generation of offcuts and other wastes during on-site work, contributed significantly to the reduction of emissions. Currently, pre-cutting of siding is gradually progressing, and we will continue to reduce waste on site.

On the other hand, the recycling rate at new housing construction sites was 94.3%, falling short of the targeted 96%. The main reason for this is the relative decline in the recycling rate due to the shift to pre-cut materials with high recycling rates.

In the medium-term management plan (2022-2024), we aim to achieve 98.0% in the final year of the plan, FY12/2024, by reducing the co-mingled waste ratio through thorough separation of waste at each site.

### Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Final disposal amount (t) consolidated	Sustainability	20,489	24,294	×	20,181	19,905
Percentage change from fiscal 2021	Department	▲2.7	+ 15.4		▲4.1	▲5.4



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Recycling rate at new housing construction sites <sup>*1</sup> (%)	Housing Division	96.0	94.3	×	97.0	98.0
Recycling rate at housing demolition sites <sup>*2</sup> (%)		100	99.9	×	100	100
Recycling rate at the work sites of the renovation business unit <sup>*3</sup> (%)		84.5	83.2	×	85.0	85.5
Recycling rate at the work sites of the power generation business unit (%)	Environment and Resources Division	98.0	99.0	○	98.0	98.0
Recycling rate at overseas manufacturing plants (%)	Timber and Building Materials Division	99.0	98.0	×	99.0	99.0
Recycling rate at domestic manufacturing plants (%)		99.0	99.4	○	99.0	99.0
Other recycling rate (%)	Timber and Building Materials Division Lifestyle Service Division Tsukuba Research Institute	84.0	81.0	×	85.0	86.0
Sustainable timber usage ratio (Overall manufacturing) (%)	Timber and Building Materials Division	100	99	×	100	100
Total amount of industrial waste discharged from all branches (kg / building) <sup>*4</sup>	Housing Division	2,709	2,585	○	2,573	2,511
Discharge amount of newly built industrial waste(kg/m <sup>2</sup> )		20.8	20.3	○	20.1	19.8

\*1 Includes new housing construction sites of the Housing and Construction Division, Sumitomo Forestry Landscaping, as well as Sumitomo Forestry Home Engineering.

\*2 Includes specific construction materials (concrete, asphalt-concrete, and wood waste) under the Construction Material Recycling Law.

\*3 Includes Sumitomo Forestry Home Tech renovation sites but excludes hard-to-recycle debris and asbestos.

\*4 Excludes Construction Business Sub-Division.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement


## Reduction of Water Consumption

The Sumitomo Forestry Group's overall water consumption increased to 2,937 thousand m<sup>3</sup> from the planned 2,739 thousand m<sup>3</sup> due to a large-scale water leakage caused by a damaged underground water pipe that lasted several days at an overseas manufacturing plant, and an increase due to the lifting of lockdowns following the pandemic of coronavirus disease (COVID-19). We will continue our efforts to reduce the amount of water used and to increase the recycled amount, particularly in the manufacturing, which uses a large amount of water.

### Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Water consumption (m <sup>3</sup> ) (consolidated)	All Sumitomo Forestry Group Companies	2,739,067	2,937,395 	×	2,757,494	2,777,269

## Management of the supply chain

With regard to the "Sustainability procurement survey implementation rate in the supply chain of the domestic housing department" in the domestic detached houses sector, which began in fiscal 2019, we have conducted surveys for more than 90% of our suppliers in terms of material purchases, and we maintained this status in fiscal 2022. The results of the survey have been improving by providing feedback to the supplier, and as a result, the "tier 1 supplier" evaluation (score) has been improved by 0.2 points compared to fiscal 2021. The domestic distribution department of the Timber and Building Materials Division has also begun a new survey of suppliers for fiscal 2022. The implementation rate was 80.6% compared to the planned 80%.

The number of companies that proposed Environmental Product Declaration (EPD) certification to suppliers was 65 (64.8% of total purchases) compared to the planned 10 (52% of total purchases) as a result of aggressive proposals to suppliers.

Currently, we are marketing and providing the Japanese version of "One Click LCA," software that visualizes greenhouse gas emissions at the time of construction, etc. We will continue to actively utilize this software and provide training and application support for EPD acquisition in order to market and promote the EPD product.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Sustainability procurement survey implementation rate in the supply chain of the domestic housing department(%)	Housing Division	97	97	○	97	97
Certification acquisition rate of incoming PKS (%)	Environment and Resources Division	-	In preparation	-	100	100
Average score rate of "tier 1 suppliers" in ESG Survey	Housing Division	Improvement as compared to previous year	0.2pt improvement	○	Improvement as compared to previous year	Improvement as compared to previous year
Number of EPD acquisition proposals to suppliers (company) Ratio (%)	Timber and Building Materials Division	10	65	○	30	65
		52	64.8		66	71
Sustainability survey response rate to suppliers (sales ratio) (%)		80	80.6	○	85	90

## Utilization of Unused Resources

Regarding the volume of unutilized resources handled, the handled volume increased compared to fiscal 2021, but was slightly lower than planned. The main reason for this was a significant drop below the target due to a change in the operation plan at the Mombetsu Forestry Office. On the other hand, the Niihama and Hyuga forestry offices increased the volume handled to compensate for the decrease at the Mombetsu Forestry Office, resulting in an increase in volume compared to fiscal 2021.





Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Unused resources (biomass use) handling volume (m <sup>3</sup> )	Environment and Resources Division	18,272	18,022	△	18,452	19,202

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Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

# Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

## Material Issue 4 To provide comfortable and secure spaces for society at large

### Material Issue 4

#### Material Issue 4 To provide comfortable and secure spaces for society at large

Providing safe, comfortable, and secure spaces to society at large.

### Related SDGs



### Basic Policy

As various social issues such as human rights issues like discrimination and poverty, intensification of disasters, and the spread of infection with the coronavirus disease (COVID-19) become apparent, the tendency toward well-being has increased, and people's living spaces, especially homes, are required to be safe, secure, comfortable and warm.

The Sumitomo Forestry Group strives to improve customer satisfaction by setting "We provide high-quality products and services that bring joy to our customers." in the Code of Conducts, and focusing on providing high-quality products that give a sense of security, safety, comfort and warmth to many customers, of both newly built detached houses and remodeling.

### Impact on Society and the Environment

Material Issue 4	Impact (Influence)
To provide comfortable and secure spaces for society at large	Improvement of customer satisfaction by reducing complaints
Providing safe, comfortable, and secure spaces to society at large.	Ensuring social credibility by improving quality



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Management of Material Issue 4 (FY2022)

In Mid-Term Sustainability Targets 2024, Material Issue 4 is divided into 5 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.

### Customer satisfaction

In the detached houses sector, we conduct questionnaire at the time of moving in as an indicator of customer satisfaction. In fiscal 2022, overall satisfaction with the building's interior and exterior design and comfort of living improved, resulting in a score of 53.2, two points higher than targeted.

For items with a relatively low satisfaction rate, we will make further improvements to increase customer satisfaction by developing countermeasures in relevant departments through the satisfaction improvement working group, which meets monthly.

#### Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Ratio of Implementation of design performance evaluation (%)	Housing Division	99.0	99.8	○	99.0	99.0
Ratio of Construction performance evaluations implemented (%)		99.0	99.8	○	99.0	99.0
Ratio of Certified as Long-life Quality Housing <sup>*1</sup> (%)		95.0	96.3	○	95.0	95.0
Questionnaire at the time of moving in (Non-consolidated NPS value <sup>*2</sup> ) (%)		51.0	53.2	○	52.0	53.0
Improvement of score of customer survey on person in charge of construction <sup>*3</sup> (point)		75	70.8	×	78	80

\*1 Limited to private house and applicable floor area or more

\*2 Net Promoter Score (NPS)

NPS is a new index used to measure customer loyalty (the amount of trust and affinity for the company and brand)

\*3 Evaluation index for Sumitomo Forestry Home Tech only



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

# Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

## Material Issue 5 To improve the livelihood of the local communities where we operate

### Material Issue 5

#### Material Issue 5 To improve the livelihood of the local communities where we operate

Creating jobs through our businesses and contributing to the development of local communities.

### Related SDGs



### Basic Policy

Both in Japan and overseas, regions where forest businesses are operated are far away from major urban areas, and economic and cultural disparities are often seen even within each country. Especially in developing countries, infrastructure such as roads, hospitals, schools and markets may not even be in place. In Japan, even in urban areas, super-aging is progressing, and there are concerns that quality of life of the elderly will decline, along with inactivation of the entire city due to shrinking household size and increase in vacant lands and vacant houses.

The Sumitomo Forestry Group is actively contributing to development of social infrastructure required in each region, in addition to increasing employment by hiring local human resources, particularly in the forest business in developing countries. In Japan, in urban areas, we will expand provision of high-quality elderly care facilities and nursing care facilities where the warmth of wood can be felt, who are also socially vulnerable. In rural areas, we will develop businesses that contribute to regional revitalization while emphasizing communication with local stakeholders.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

### Impact on Society and the Environment

Material Issue 5	Impact (Influence)
<b>To improve the livelihood of the local communities where we operate</b>  Creating jobs through our businesses and contributing to the development of local communities.	Correction of economic disparities through regional revitalization
	Development of a common awareness of the issues of local communities through communication with local residents
	Enhancement of welfare by providing elderly care facilities

### Management of Material Issue 5 (FY2022)

In Mid-Term Sustainability Targets 2024, Material Issue 5 is divided into 6 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.

### Response to declining birthrate and aging population

The number of private nursing home rooms was unchanged from fiscal 2021 at 1,764 rooms for Sumirin Fill Care and Sumirin Care Life, both of which are elderly care services companies. For fiscal 2023, the number of rooms is expected to increase to 1,842 due to the planned opening of new facilities.

#### Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 target	FY2023 target	FY2024 target
Number of rooms at private-pay elderly care facilities (rooms)	Lifestyle Service Division	1,764	1,764	○	1,842	1,842



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Communication with local communities

With regard to communication with local communities, we disclose the number of local personnel employed at the Open Bay Timber (OBT), based in Papua New Guinea as an indicator (the target being increase over the previous year). In fiscal 2022, we hired 26 more local residents than in fiscal 2021. In addition to increasing our workforce for larger production volume, we hired more local residents than planned, including carpentry-related employees to develop and improve local living infrastructure. We will continue to actively recruit human resources to contribute to the local community.

### Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 target	FY2023 target	FY2024 target
Communication with stakeholders related to maintaining SGEC certification (times)	Environment and Resources Division	1 or more	6	○	1 or more	1 or more
Explanation and communication to local residents when planning a new power plant (times)		1 or more	4	○	1 or more	1 or more
Year-on-year increase in number of people at OBT (persons) [Recruitment of local human resources to increase production*]		+ 12	+26	○	+ 17	+ 28
Pruning and weeding area at TPF (ha) [Reduce fire risk and improve landscape (pruning and weeding area)]		15	Implementation	○	30	30

\* Number of local employees at the end of fiscal 2021 was 298.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Human Rights

In response to further increasing external requirements for human rights, we are strengthening our human rights efforts. In fiscal 2022, we studied the operational structure so that the Grievance Mechanism\* can be comprehensively deployed throughout the Sumitomo Forestry Group.

\* Grievance and/or complaint mechanisms related human rights issues for stakeholders.

### Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 target	FY2023 target	FY2024 target
Efforts related to grievance mechanism	Sustainability Department	Structure Construction	Operational structure under consideration	△	Range enlargement	Continuous operation



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

# Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

## Material Issue 6 To create a vibrant environment for all workers

### Material Issue 6

#### Material Issue 6 To create a vibrant environment for all workers

Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated.

### Related SDGs



### Basic Policy

In order to achieve sustainable business growth, it is important to create an environment where people involved can thrive. Foundation of a fair work environment is that everyone in the supply chain accepts diversity, including race, religion, ethnicity, nationality, and gender, and respects human rights without discrimination. We must also respect work-life balance, which emphasizes lifestyle of each individual. In addition, there is a possibility that serious occupational accidents may occur in the forest business or Housing and Construction Business, and sufficient measures are necessary.

The Sumitomo Forestry Group sets "We promote a free and open-minded corporate culture that respects diversity" as one of Our Values, and also make Declaration on Health Management in an effort to maintain and improve physical and mental health of all employees and their families so that they can work healthily and actively. In the future, with the utmost emphasis on continuous improvement of employee satisfaction, we will work on multi-faceted and concrete targets such as realization of diversity, prevention of harassment, elimination of occupational injuries, and improvement of retention rate and number of obtained qualifications.





Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Impact on Society and the Environment

Material Issue 6	Impact (Influence)
<b>To create a vibrant environment for all workers</b>  Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated.	Eliminating gender discrimination
	Securing better human resources
	Enhancing corporate value by improving work productivity
	Realizing a diverse society
	Ensuring employee health by building a safe, secure workplace (higher satisfaction)
	Ensuring safety of employees and subcontractors by eliminating occupational accidents

## Management of Material Issue 6 (FY2022)

In Mid-Term Sustainability Targets 2024, Material Issue 6 is divided into 18 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.

### Work-life balance (workstyle reform)

Sumitomo Forestry's overtime working hours reduction rate was 13.8% compared to fiscal 2017, falling short of the targeted 16% reduction. The increase in working hours in the Housing Division, which accounts for about 70% of the total, is the main reason for the increase. In addition to revising work flow and promoting the use of outside business partners, we will strengthen efforts to reduce working hours by implementing measures including a "no-overtime day."

Regarding the percentage of male employees taking childcare leave at Sumitomo Forestry on a non-consolidated basis, the take-up rate was 49%, falling short of the targeted rate of 80%. In April 2022, the Company began to allow employees to apply for childcare leave from the stage when their child is expected to be born. In October of the same year, the Company revised its rules on childcare leave, including the establishment of childcare leave at birth, and has been working to encourage employees to take childcare leave by introducing good practices and notifying employees of other details on the company intranet, thoroughly implementing the new flow, and strengthening individual follow-up. Both the number of employees who have taken the leave and the average number of days they have taken the leave have reached record highs, and we will continue to work toward achieving a work-life balance by raising employee awareness through these measures.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation		Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Employee satisfaction level (%)	Non-Consolidated	Personnel Department	80.0	77	×	81.0	82.0
	Consolidated in Japan		67.0	58.9	×	68.9	71.0
Paid Leave Usage Ratio (%)	Non-Consolidated		70.0	68.4	△	70.0	70.0
	Consolidated in Japan		61.6	66.6	○	62.6	63.8
Overtime hours reduction rate (%) compared to fiscal 2017	Non-Consolidated (FY2017: 45.5H)		▲16.0	▲13.8	×	▲19.0	▲23.0
	Consolidated in Japan (FY2017: 31.1H)		▲10.0	▲9.5	△	▲13.0	▲15.0
Retention rate of new graduates (3rd year after joining the company)*1(%)	Non-Consolidated		83.0	82.9	×	84.0	85.0
	Consolidated in Japan		75.8	74.8	×	78.8	84.5
Culture that does not allow harassment**2(%)	Non-Consolidated		76.0	76.0	○	78.0	80.0
	Consolidated in Japan		76.2	70.0	×	77.7	75.0
Ensuring psychological safety**2(%)	Non-Consolidated		71.0	70.0	×	73.0	75.0
	Consolidated in Japan		64.0	60.9	△	65.5	67.1
Male childcare leave acquisition rate (%)	Non-Consolidated		80.0	49.0	×	90.0	100
	Consolidated in Japan		33.0	25.4	×	39.0	43.0

\*1 Calculated as a percentage of the number of new graduate employees who joined the company between April and the following March and who will be with the company on April 1, three years later.

\*2 Percentage of employees who answered either "absolutely" or "yes, if I have to choose" in employee satisfaction surveys

## Diversity

We manage targets based on the following five indicators to encourage women to play active roles in the workplace.

The ratio of executives and the ratio of new graduates hired by Sumitomo Forestry on a non-consolidated basis were in line with the plan, while the ratio of employees was 0.1 point short, almost in line with the plan.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

In order to achieve the target, training was provided for all levels, including management career candidates in administrative planning positions, new managers and female leadership candidates. In addition, educational activities are conducted to focus on careers over the long term, such as seminars for pairs of childcares and supervisors to help them overcome life events such as childcare and develop their careers. In the future, measures will be considered and implemented in the context of human capital management initiatives.

## Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation		Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Employment continuation rate after age 60 (retirement extension, reemployment, etc.) (%)	Non-Consolidated	Personnel Department	95.0	94.3	△	95.0	95.0
	Consolidated in Japan		87.5	84.5	×	99.1	98.2
Ratio of female employees to all employees (%)	Non-Consolidated		23.2	23.1	△	23.9	24.5
	Consolidated in Japan		34.3	33.4	△	34.5	34.7
Female officer ratio (%)	Non-Consolidated		13.8	13.8	○	16.7	19.4
Ratio of female senior managers* <sup>1</sup> (%)	Non-Consolidated		3.0	2.4	×	3.3	3.6
	Consolidated in Japan		6.5	6.7	○	7.3	7.9
Ratio of female general managers* <sup>1</sup> (%)	Non-Consolidated		9.0	8.5	△	10	11
	Consolidated		12.4	11.2	×	13.5	14.3
Ratio of females to new hires* <sup>2</sup> (%)	Non-Consolidated		32.6	33.1	○	35.0	35.0
	Consolidated in Japan		34.6	34.6	○	35.5	35.6
Ratio of disabled employees (%)	Non-Consolidated		2.20	2.19	△	2.25	2.30
	Group certification		2.40	2.40	○	2.45	2.50
	Consolidated in Japan		2.30	2.23	×	2.40	2.40

\*1 Among managers, supervisors are defined as senior managers and the rest as general managers.

\*2 Calculated by adding the number of new graduate employees hired between May and the following March of the previous year to the number of new graduates hired in April.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Human Resources Development

Training costs per employee were 105 thousand yen, which did not reach the plan, but improved from fiscal 2021. While implementing the Coronavirus disease (COVID-19) measures, we conducted parallel group and online training programs, as well as expanded the self-development menu to allow a wide range of employees to participate in the program, and also implemented projects with a high number of participants.

In response to growing environmental awareness, the Sumitomo Forestry Group encourages its employees to take the Certification Test for Environmental Specialists Test (eco kentei) in order to develop the capability to accurately explain the relationship between our business and the environment.

Sumitomo Forestry's non-consolidated acquisition rate for fiscal 2022 was 43.6%, falling short of the plan, but up more than 9 points from fiscal 2021. We will continue to promote the acquisition of these certifications by posting details on the company intranet, utilizing our certification acquisition support rules, and distributing textbooks to departments with low participation rates.

### Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation		Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Training cost per employee (unit: 1,000 yen)	Non-Consolidated	Personnel Department	125	105	△	125	150
	Consolidated in Japan		57	35	△	57	56
Training time per employee (hours)	Non-Consolidated		16.0	15.5	△	18.0	18.0
	Consolidated in Japan		12.5	23.7	○	12.8	13.1
Certification Test for Environmental Specialists acquisition rate (%)		Sustainability Department	50.0	43.6	△	60.0	70.0

\* Numerical values as of January 1, 2023

## Occupational Health and Safety

As for the number of occupational injuries, we have set a target of zero serious occupational injuries (occupational injuries resulting in four or more days of absence from work), but in fiscal 2022, these accidents occurred in each business field. Especially at new construction sites in Japan, heat stroke and injuries involving crashes and falls increased, resulting in 19 cases of serious work-related injuries lasting four days or longer. In addition, 14 injuries occurred at overseas manufacturing plants, including that occurred by the fall from a forklift.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

In fiscal 2022, the Quality Control and Worker Safety Management Department organized the ISO45001 internal auditor training courses, and 50 employees (36 in the internal auditor qualification course and 14 in the standard explanation course) attended the courses. In addition, a new system for evaluating and awarding safety and health activities was established to raise safety awareness. In the event of a serious occupational injury, we will pursue the cause of the injury, prevent its recurrence, and conduct internal auditing to keep these initiatives in check. We will continue to strengthen our efforts to achieve zero occupational injury throughout the Sumitomo Forestry Group by implementing Group-wide management of occupational injury cases, strengthening safety education in each division and affiliate, and providing support horizontally.

## Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation		Managing department		FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
(1) Number of serious occupational injuries (Four or more days of lost worktime) (numbers) (2) Number of occupational injuries (One or more days and less than 4 days of lost worktime) (numbers) (3) Total number of occupational injuries (One or more days of lost worktime: (1)+(2))(numbers)	Domestic new construction site (Contract)	Housing Division	(1)	0	19	△	0	0
			(2)	18	26	×	16	14
			Total	0	45	×	16	14
	Remodeling site (Contract)	Housing Division	(1)	0	4	×	0	0
			(2)	0	6	×	0	0
			Total	0	10	×	0	0
	Overseas housing site (Contract)	Global Housing, Construction and Real Estate Division	(1)	0	9	×	0	0
			(2)	0	4	×	0	0
			Total	0	13	×	0	0
	Domestic group manufacturing companies (employees)	Timber and Building Materials Division	(1)	0	1	×	0	0
			(2)	0	0	○	0	0
			Total	0	1	×	0	0
Overseas group manufacturing companies (employees / contractors)*	Timber and Building Materials Division	(1)	0	14	×	0	0	
		(2)	0	10	×	0	0	
		Total	0	24	×	0	0	



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

Indicators for Evaluation		Managing department		FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
	Domestic forest site (Contract)	Environment and Resources Division	(1)	0	3	×	0	0
			(2)	0	1	×	0	0
			Total	0	4	×	0	0
	Overseas afforestation site (Contract)		(1)	0	11	×	0	0
			(2)	0	22	×	0	0
			Total	0	33	×	0	0
	Elderly care site	Lifestyle Service Division	(1)	0	6	×	0	0
			(2)	0	2	×	0	0
			Total	0	8	×	0	0

\* Total of 8 consolidated companies of Nelson Pine Industries (NPIL), PT. Kutai Timber Indonesia (KTI), PT. AST Indonesia (ASTI), PT. Sinar Rimba Pasifik (SRP), Canyon Creek Cabinet (CCC), and Vina Eco Board (VECO), Pan Asia Packing (PAP), and PT. Rimba Partikel Indonesia (RPI)

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> About symbol for Independent assurance



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

# Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

## Material Issue 7 To create new markets with forests and wood

### Material Issue 7

#### Material Issue 7 To create new markets with forests and wood

Creating new markets that enrich the economy through the resourceful use of forests and wood.

### Related SDGs



### Basic Policy

Utilization of forests and wood is emphasized in order to enrich the economy while solving various environmental and social issues such as realization of a decarbonization society and a circular economy, conservation of biodiversity, and respect for human rights. In order to deepen and expand utilization of wood and activate functions of forests, creation of new markets that utilize them is also the key.

The Sumitomo Forestry Group will expand its medium- and large-scale wooden construction business globally while challenging many issues such as technology, legal regulations, and cost relating to construction such as structure, fire resistance, production, and environment. In addition, in order to develop various new technologies, new products, and new markets that utilize "wood" and "forests," we will promote research and development that emphasizes collaboration with the outside world without being bound by our own technology.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Impact on Society and the Environment

Material Issue 7	Impact (Influence)
<p><b>To create new markets with forests and wood</b></p> <p>Creating new markets that enrich the economy through the resourceful use of forests and wood.</p>	Realization of a prosperous society by creating new value

## Management of Material Issue 7 (FY2022)

In Mid-Term Sustainability Targets 2024, Material Issue 7 is divided into 2 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.

## New market development

In the medium- to large-scale wooden construction business, we participated in a 15-story wooden office development project in Melbourne, Australia in 2021, followed by the development of a 6-story wooden office in the UK, a 3-story wooden office in Atlanta, USA, and a 7-story wooden office in the suburbs of Dallas, USA in 2022. We plan to continue to actively develop this business.

## Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Development of medium-to large-scale wooden constructions Business (US / Australia / Europe)	Global Housing, Construction and Real Estate Division	Examination/ Commercialization	Commercialization	○	Commercialization	Commercialization





Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Research & Development

Regarding the number of contracts for joint research partners, the objective is to promote R&D based on knowledge that is not available in-house by establishing cooperative frameworks with public institutions and private research organizations.

The number of contracts was 42 in fiscal 2022 at the Tsukuba Research Institute exceeded the plan (52.5% of all contracts).

### Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Number of contracts for joint research partners (cases)	Tsukuba Research Institute	35	42	○	36	38
Ratio of all themes (%)		50	52.5		51	54



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

# Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

## Material Issue 8 To transform markets through DX and innovation

### Material Issue 8

#### Material Issue 8 To transform markets through DX and innovation

Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.

### Related SDGs



### Basic Policy

In the fields of forestry and wooden construction business, where tradition and experience have been emphasized, it is necessary to raise economic efficiency and increase added value through market reforms such as DX and innovation, in view of the situation such as decrease and aging of main players, technological advancement and globalization, and future demand expansion.

The Sumitomo Forestry Group aims to ensure quality and quantity of wood resources and provide them with high added value by improving efficiency of sales activities and supply chains through DX and innovation. In the field of elderly care business, which faces similar challenges, we will introduce innovations to increase added value and improve operational efficiency, such as user safety and security.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Impact on Society and the Environment

Material Issue 8	Impact (Influence)
To transform markets through DX and innovation	Improve workability by improving work efficiency
Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.	Improve productivity through effective use of data

## Management of Material Issue 8 (FY2022)

In Mid-Term Sustainability Targets 2024, Material Issue 8 is divided into 3 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.

### DX related

In the timber and building materials distribution sector, delivery slips are sent to customers, and we are working to reduce the use of paper delivery slips and improve the efficiency of paperwork in line with the shift to electric transmission.

In fiscal 2022, 766 companies (introduction rate of 64%) introduced the system, compared to the planned 720 companies (introduction rate of 60%). In the wake of the coronavirus disease (COVID-19) outbreak in fiscal 2020, the need to work in a telework system environment increased employee awareness of data transmission, contributing to higher adoption rates. Reduction of simple input work for documents like delivery slips through the use of digital technologies such as RPA and OCR also progressed steadily.

The number of facilities with sensor equipment installed in the elderly care business has not changed from fiscal 2021; however, the number of facilities with sensor equipment will increase by one facility due to the opening of a new facility in fiscal 2023.

### Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Data linkage with customer (company)	Timber and Building Materials Division (IT Solutions Department)	720	766	○	770	820
Adoption rate (%)		60	64		64	68
RPA and OCR adoption rate (%)		80	85.4	○	90	100
Number of facilities that have introduced sensor equipment in elderly care business	Lifestyle Service Division	18	18	○	19	19



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

# Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

## Material Issue 9 To establish a robust business structure

### Material Issue 9

#### Material Issue 9 To establish a robust business structure

Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances.

### Related SDGs



### Basic Policy

Building a strong business system is important for a company to carry out sustainable business amidst a global environment of crises that have a great impact on the economy such as intensification of natural disasters, spread of unknown infectious diseases such as the coronavirus diseases, and financial and geopolitical risks. Continuing business even in the face of unexpected events also contributes to stability of the industry and market as a whole.

The Sumitomo Forestry Group will not only build a Business Continuity Management (BCM) system to provide stable value even in the event of unexpected events, but will also aim to strengthen supervisory function of the Board of Directors during normal times, and prompt strengthening of the governance and information security of expanding overseas affiliated companies. With respect to climate change and natural disasters, we will continue to analyze scenarios based on the TCFD recommendations to build a strong business.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

### Impact on Society and the Environment

Material Issue 9	Impact (Influence)
<b>To establish a robust business structure</b>  Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances.	Building a business foundation by strengthening information security system
	Improving employee awareness by establishing an educational foundation
	Improving credibility from society by strengthening governance system

### Management of Material Issue 9 (FY2022)

In Mid-Term Sustainability Targets 2024, Material Issue 9 is divided into 4 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.

### Governance /Compliance /Climate change

As a response to governance, an external evaluation of effectiveness of the Board of Directors was completed in January 2022 in response to the results of a survey of all directors and statutory auditors.

Task Force on Climate-related Financial Disclosures (TCFD) scenario analysis was conducted for two of our core businesses, the Housing Division and the Timber and Building Materials Division, in fiscal 2018, and in fiscal 2022 the analysis was conducted in two divisions, the Global Housing Division and the Environment and Resources Division. From October 2022 to March 2023, we conducted another review of the aforementioned two divisions, the Housing Division and the Timber and Building Materials Division, and together with the Global Housing Division and Environment and Resources Division, risks and opportunities related to climate change were analyzed and countermeasures were considered, at the company-wide level.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - **Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan** - Stakeholder Engagement

## Results

Ratings in the table below

Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
New introduction of business process control (internal control)	Global Housing, Construction and Real Estate Division	Full-scale introduction (2 companies)	Implementation	○	Continuation	Continuation
Strengthening information security level of overseas affiliated companies* (%)	IT Solutions Department	20	39.1	○	50	100
Implementation of external evaluation of effectiveness of the Board of Directors	General Administration Department	Examination	Implementation	○	Examination	Completion
Conduct scenario analysis and disclosure consistent with guidance from the Task Force on Climate-related Financial Disclosures (TCFD)	Sustainability Department	New implementation in two divisions including the Environment and Resources Division and Global Housing, Construction and Real Estate Division	New implementation in two divisions including the Environment and Resources Division and Global Housing, Construction and Real Estate Division	○	Examining impact of the entire group through re-implementation in two divisions including the Timber and Building Materials Division and Housing Division	Examining reflection of measures taken by the group in the strategy for each business division of the next Mid-Term Management Plan

\* Sumitomo Forestry Group's unique security base level achievement rate



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan -

[Stakeholder Engagement](#)

# Sumitomo Forestry Group's Sustainability Management

## Stakeholder Engagement

### Basic Policy

The Sumitomo Forestry Group is involved with various stakeholders because the business activities conducted by the Group are in a broad range of global businesses from the upstream to the downstream with wood—as a renewable natural resource—at the core. Our focus is always on communication as well as taking into account the direct and indirect relationships between stakeholders while we are engaged with our business activities, and sincerely responding to their expectations and requirements.

### Stakeholders of the Sumitomo Forestry Group



### Responsibilities and Communication Methods

#### Customers

Customer needs are diversifying as the social environment changes dramatically due to energy issues resulting from frequent large-scale disasters and global warming in addition to the decreasing population and aging society of Japan, depopulation and centralization to urban areas as well as a growing mindset toward health.

The Sumitomo Forestry Group conducts comprehensive efforts toward safety and quality issues based on these circumstances to not only reduce risk but also to create new business opportunities by responding to societal and environmental changes with the hope that it will further heighten customer satisfaction.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan -

### Stakeholder Engagement

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>• Providing safe, high-quality products and services</li> <li>• Disclosing timely and accurate information and providing accountability</li> <li>• Understand the requests and needs and improve satisfaction through communication</li> </ul>	<ul style="list-style-type: none"> <li>• Sumitomo Forestry Call Center</li> <li>• Customer Satisfaction Survey</li> <li>• Websites and media, news magazines, etc.</li> <li>• Exhibitions and various other events</li> </ul>

### Relevant Performance

Number of calls received by the call center  
FY2022 result

124,930

Customer satisfaction ratio  
(surveyed when residents move in)  
FY2022 result

97.4%

[Click here for related information](#)

> [Product and Service Safety as well as the Quality Management](#)

> [Communication with Our Customers Housing Business Initiatives](#)

## Employees and Their Families

A wide range of themes have been raised concerning social challenges related to employment and labor from human rights and the form of an equal workplace without discrimination to ensuring safety on-site, considerations toward work-life balance and the reduction of long working hours.

We believe working to resolve these challenges is the driving force to improving corporate value and business promotion that have a positive effect that include gaining human resources and improving the motivation of employees while eliminating risks on employees.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>• Creating a fair work environment with respect for human rights and no discrimination</li> <li>• Providing and developing a workplace that promotes the emotional and physical well-being of employees and their families, as well as allowing individuals of various backgrounds and circumstances to maximize their potential</li> <li>• Equally and fairly evaluating personnel</li> <li>• Establishing educational systems able to drive and improve skills</li> <li>• Establishing measures, policies and other regulations to enhance the work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>• Conducting regular consultations and performance reviews</li> <li>• Conducting employee satisfaction surveys</li> <li>• Conducting stress checks</li> <li>• Installing a compliance hotline</li> <li>• Implementing briefings during policy revisions and enhancing inquiry methods (use of AI chatbots, etc.)</li> <li>• EAP (Employee Assistance Program) service</li> <li>• Carrying on a dialogue (casual discussions) between the president and employees</li> <li>• Holding Family Open Day</li> <li>• Carrying out meetings with management made up of both labor and management committee members</li> <li>• Publishing internal magazines, creating an internal website</li> </ul>





Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan -

## Stakeholder Engagement

### Relevant Performance

Overtime working hours  
FY2022 result  
(Compared to FY2017)  
(Non-consolidated)

**13.6%**  
reduction

Education expense per employee  
FY2022 result  
(Non-consolidated)

**105,000**<sub>yen</sub>

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> Diversity and Inclusion

> Human Resources Development

> Communication with Employees

> Work-Life Balance

> Occupational Health and Safety Management

## Shareholders and Investors

In recent years, long-term institutional investors have shifted the way to evaluate a company. One emphasis from this perspective of evaluation is engagement. The dialogue between companies and their shareholders as well as investors is growing in terms of strategies and efforts to improve corporate value. Trends to promote even broader engagement are growing after the publishing of the Stewardship Code even in Japan.

The Sumitomo Forestry Group places great importance on engagement from the perspectives of properly assessing the corporate value and earning trust from the market. The Group discloses a wide range of information, including non-financial information, in a timely and transparent manner to facilitate understanding among stakeholders of our management policies and business strategies, while regularly feeds back the opinions and requirements of investors who are a vital stakeholder into operations to put in place measures toward sustainable growth.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>• Disclosing timely and accurate information</li> <li>• Pursuing informational transparency and accountability</li> <li>• Executing the appropriate premium redemption to shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Holding general meetings of shareholders, financial results briefings, investor briefings, analyst briefings, on-site briefings, and other relevant meetings</li> <li>• Communicating information on websites, integrated reports, shareholder correspondence, briefing materials and in other relevant forms</li> <li>• Responding to surveys for assessment and research agencies related to ESG, etc.</li> </ul>



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement

## Relevant Performance



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[Return to Shareholders and IR Activities](#)

[To All Shareholders and Other Investors \(IR Information\)](#)

## Government and Regulatory Authorities

As a company involved in a variety of businesses centered upon wood, Sumitomo Forestry Group needs to adhere to laws and regulations by continually updating information about relevant laws and regulations in each region and country where it conducts business.

For example, housing construction must comply with the Building Standards Act as well as wide range of other laws and regulations. We also must engage in broad communication as a business involved with national lands through forest management, such as notifications to government and regulatory authority.

Therefore, we strive to earn greater trust from society by thoroughly complying with the various laws and regulations as well as ensuring proper communication with the government and regulatory authorities in each country where our businesses are expanding.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>Complying with all relevant laws as well as reporting and delivering notifications</li> </ul>	<ul style="list-style-type: none"> <li>Responding through expert and relevant departments</li> </ul>

## Industries and Companies in the Same Business

The Sumitomo Forestry Group believes a fair, open competitive environment is essential to foster sustainable growth throughout the entire industry of its business.

We also know industry associations and other organizations are indispensable in creating relevant rules. We participate in organizations such as industry associations and contribute to the growth and development of the industry by taking a leading role as a front runner in the industry.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan -

### Stakeholder Engagement

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>Assembling the appropriate markets and competitive environment</li> <li>Offering cooperation for the growth and development of our industry</li> </ul>	<ul style="list-style-type: none"> <li>Participating in industry associations and other organizations</li> </ul>

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[Contributions to Public Policy](#)

## Business Partners

Promoting sustainable forest management and procuring wood from sustainable forests are extremely vital endeavors for the Sumitomo Forestry Group, which is expanding its business around "wood". We believe initiatives are also necessary to respond to risk elements that include the laws in each country and the various regulations related to the illegal logging.

These efforts strengthen our foundation of business by promoting the preservation, development, and forestation as well as effectively using limited global resources such as the active use of timber cut from forests that have received Forest Stewardship Council certification together with our business partners.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>Building equal and fair relationships with business partners</li> <li>Improving the occupational health and safety environment</li> <li>Complying with all relevant laws</li> </ul>	<ul style="list-style-type: none"> <li>Engaging in purchasing and procurement activities</li> <li>Conducting safety conferences, safety patrols and building contractor meetings</li> <li>Conducting workshops and informational exchange meetings</li> <li>Conducting supplier evaluations (surveys and questionnaires)</li> </ul>

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[Supply Chain Management](#)

[Occupational Health and Safety](#)



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan -

## Stakeholder Engagement

### Students

Sumitomo Forestry Group provides information on its philosophy, business models that contribute to the economy, society, and the environment through its core business, various initiatives such as workstyle reform, and its medium- to long-term vision to students who are entrusted with the next generation.

In addition to deepening understanding of Sumitomo Forestry, we are actively engaging in two-way communication using online tools in a rapidly changing environment.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>Conducting equal and fair hiring practices</li> <li>Actively communicating information</li> </ul>	<ul style="list-style-type: none"> <li>Internships</li> <li>Conducting online-based information sessions and events to interact with employees</li> <li>Distributing information through our recruiting website</li> </ul>

Click here for related information

> [Recruiting information \(in Japanese\)](#)

### NPOs/NGOs

The Sumitomo Forestry Group works with NPOs and NGOs that have specialized knowledge and understand the situation in the regions where they operate to address social issues such as deforestation, loss of biodiversity, and human rights issues. Through the cooperation with civil society, we fulfill our role for not only the company but also many other people. We expect to produce even greater results toward solving the challenges faced by society rooted in each community.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>Working cooperatively to solve social challenges</li> <li>Providing business know-how</li> </ul>	<ul style="list-style-type: none"> <li>Participating in employee volunteer activities</li> <li>Working cooperatively through social contribution activities</li> <li>Stakeholder Dialogue</li> </ul>

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> [Reinforcing Engagement with NGOs and Other External Stakeholders](#)

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[Stakeholder Engagement](#)

## Global Environment

The Sumitomo Forestry Group prioritized the global environment in both the direct and indirect impact its business activities have on the world. The Group established its Environmental Philosophy in December 1994 and Group-wide Environmental Policies in October 2000.

We also formulated the Mid-Term Environmental Management Plan (FY2010-FY2014) with Mid-term environmental targets for the first time in fiscal 2009 and established the Mid-Term CSR Management Plan (FY2015-FY2020) that includes environmental targets in fiscal 2014. Furthermore, we are expanding the numerical targets of these plans and continuously enhancing the level of our environmentally conscious activities by implementing the PDCA cycle in each organization, for the Sustainability Targets as part of Sumitomo Forestry Group Mid-Term Management Plan in fiscal 2024.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>Preserving the natural environment and biodiversity</li> <li>Reducing the environmental impact of business activities</li> <li>Developing and providing products and services with minimal environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Providing an environment for business</li> <li>Supplying and standardizing environmentally-conscious housing</li> <li>Acting as volunteers in building forests such as in reforestation</li> <li>Carrying on a dialogue with NPOs/NGOs</li> <li>Conducting environmental and social contribution activities linked up with NPOs/NGOs</li> </ul>

## Relevant Performance

Percentage of orders for ZEH  
type houses out of new custom-built  
detached housings  
FY2022 result

**77.2%**

Percentage of sustainable timber  
and wood products handled  
FY2022 result

**100%**

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[Mitigation of Climate Change](#)

[Sustainable Forest Management](#)

[Policies and Targets for Biodiversity  
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Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Stakeholder Engagement

## Global Society and Local Communities

The Sumitomo Forestry Group recognizes the importance of contributing to the growth of local communities as well as protecting the local forest resources when starting and expanding businesses.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>Contributing to solutions to both global and local challenges in society</li> </ul>	<ul style="list-style-type: none"> <li>Participating in employee volunteer activities</li> <li>Supporting the formation of communities through social contribution activities</li> <li>Preparation of Regional Infrastructure</li> </ul>

### Relevant Performance



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## Grievance Desk

The Sumitomo Forestry Group provides a Customer Service Department as a point of contact to handle inquiries from customers and local residents near ongoing housing construction, as well as a Compliance Hotline and Harassment Help Desk for business partners and employees in addition to receiving inquiries such as complaints (in Japanese, English, and Chinese) at our website. We respond appropriately to inquiries received through our website by having the Corporate Communications Department receive them, then forward them according to their content to each relevant specialized department at the head office or each division handling the relevant operations.

In October 2019, we put in place a whistleblowing mechanism shared with Group companies overseas. An external multilingual operator is used for this reporting system to receive reports in English, Chinese, Indonesian, Vietnamese, and Thai.

### Grievance Desks at overseas forestry companies

In many regions and countries, indigenous people's and local community's land rights are recognized by formal or customary law. While forest operations could offer jobs and social development of the region, communication and engagement with these stakeholders are extremely important to protect human rights and also for the sustainability of the operation.

For example, we have implemented a grievance mechanism at our forest operations in Indonesia since 2018. We receive opinions and requests from local residents, through regular visits or in writing, and respond to them within seven working days as a general rule.

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### Stakeholder Engagement

At Open Bay Timber Ltd. (OBT) in Papua New Guinea has put in place a complaint box in which anyone from the area within and outside the company operation can post a complaint, requests or comment. Inquiries received in this way from local residents and others in the area are shared internally as needed so that we can undertake appropriate responses.

Tasman Pine Forests Ltd. (TPF) in New Zealand registers any important exchanges with local residents, partner companies and other stakeholders in a stakeholder registry. Communication with a recognition of the past background helps to build smooth relationships.

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> [Respect for Human Rights at Overseas  
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