

## Basic Approach

Wood used in making paper is a resource of excellent reproducibility. Through appropriate management and use, forest resources contribute to the prevention of global warming by absorbing and sequestering carbon dioxide (CO<sub>2</sub>) and to the preservation of biodiversity.

Oji Paper will pursue CSR procurement when procuring wood raw materials, by acquiring resources grown through sustainable forest management, in accordance with the Oji Paper Group Partnership Procurement Policy.

## Procurement Guidelines

### (1) Expand procurement of wood from certified forests

Oji Paper will seek to acquire certification for all forests in its overseas tree plantation operations. When procuring materials from third-party sources, Oji Paper will give priority to wood from certified forests and actively encourage suppliers of non-certified wood to acquire certification.

### (2) Increase use of plantation trees

Oji Paper will increase the proportion of plantation trees used as raw materials, by increasing the volume of internally sourced plantation trees through an expansion of its overseas plantations and by increasing the amount of plantation trees purchased from third-party sources.

### (3) Utilize unused wood effectively

Oji Paper will pursue the effective use of sawmill residue, thinned wood, low-grade wood and other unused wood resources in order to make full use of resources.

### (4) Verify that procurement is in compliance with laws and is environmentally friendly and socially responsible

#### 1. Implement monitoring of suppliers

Oji Paper will verify that its suppliers of wood raw materials are fulfilling the requirements below, through either document-based or on-site surveys, based on the Oji Paper Group Partnership Procurement Policy.

- a) Comply with laws and social standards, and engage in fair trade
- b) Consider the environment
- c) Demonstrate social concern
- d) Communicate with society

#### 2. Ensure raw material traceability

Oji Paper will work to trace the origin of wood raw material and verify that it was produced from well-managed forests. Oji Paper will be particularly vigilant to ensure no illegally logged wood is purchased.

Accordingly, Oji Paper will conduct ongoing surveys of suppliers of wood raw materials using the following criteria, in order to ensure the traceability of raw materials.

- a) Production place of raw materials (place of logging, forest owner, differentiation between plantation wood and natural forests, etc.)
- b) Forest management method (applicable forestry laws, regulations for forest management, etc.)

- c) Acquisition status for forest certification
- d) Avoidance of wood obtained through illegal logging (verification of forest certification, logging license, records of round wood received, etc.)
- e) Avoidance of genetically modified (GMO) wood
- f) Avoidance of logging in forests that are recognized publicly as forests with high conservation value
- g) Avoidance of raw materials associated with major social conflicts
- h) Adherence to protection of human rights and labor rights

Imported wood is surveyed each time it is loaded to ship. Since domestic wood is only procured in small quantities, it is surveyed once a year but verified each time wood is loaded to truck, in order to check for illegally logged wood.

Oji Paper will encourage suppliers to continually assess the point of origin for raw materials in order to improve the accuracy of traceability.

Traceability survey processes are audited by a third party. Relevant documents are kept on file for a period of five years.

#### (5) Disclose information

Oji Paper will release an annual progress summary on the implementation of these procurement guidelines on its Web site and/or in its CSR Report.

- \* Oji Paper will pursue CSR procurement when procuring pulp, in accordance with these guidelines and based on the Oji Paper Group Partnership Procurement Policy.

### Supplemental Information

The objective of **sustainable forest management** is to achieve environmentally, socially, and economically sound forest management.

- Environmental sustainability: Preserve biodiversity, ecological processes, and ecosystems.
- Social sustainability : Sustain human society, which relies on forests.
- Economic sustainability : Produce and use wood sustainably.

Objective criteria and indicators have been established for evaluating sustainable forest management for regions with similar natural conditions and social backgrounds; for example, the Japanese government participates in the Montreal Process.

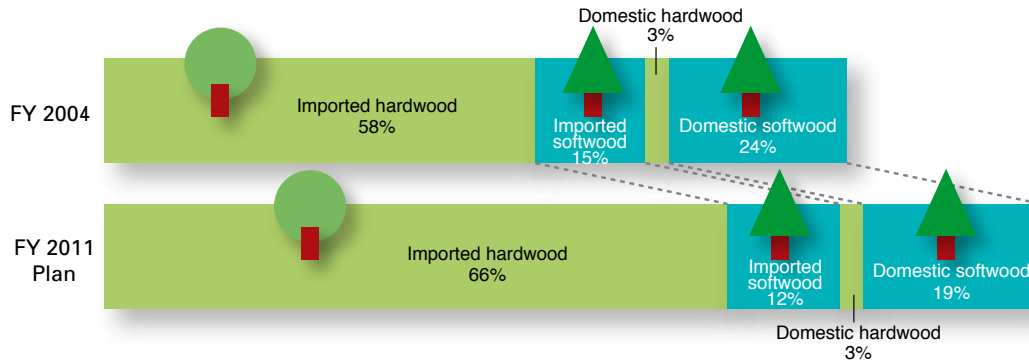
**Biodiversity** was given the following definition at the 1992 United Nations Conference on Environment and Development (Earth Summit) in Rio de Janeiro: "the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species and of ecosystems."

**Forest certification** entails a defined process of evaluation and certification by independent third-party organizations that a forest is well-managed according to sustainable forest management criteria. Internationally recognized forest certification programs include the Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification Schemes (PEFC) and the Sustainable Forestry Initiative (SFI). The Sustainable Green Ecosystem Council (SGEC) is the nationally recognized forest certification scheme in Japan.

**Low-grade wood** refers to wood that is unsuitable for use as lumber or plywood. It includes trees that are too slender or bent, or that suffer from internal wood rot.

**Figure 1. Composition of Wood Chips Procurement**

\* Procurement volume to increase 1.3-fold between FY 2004 and FY 2011, imported wood chips to account for 78%

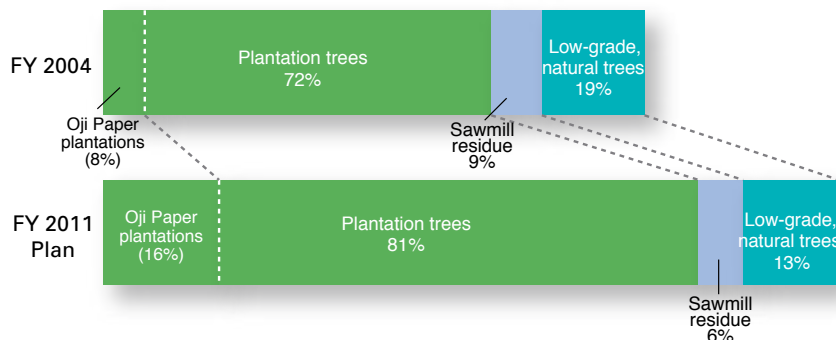


Note: The FY 2011 plan includes wood raw material procured for a new plant in China.

**Figure 2. Increase plan in plantation trees and certified wood for imported chips**

\* Increase plantation trees 1.5-fold between FY 2004 and FY 2011.

Procure low-quality, natural forest wood after confirming the resources were grown through sustainable forest management.



\* Increase certified forest wood approximately six-fold between FY 2004 and FY 2011.



**Figure 3. Expansion plan of Oji Paper's overseas plantation**

\* Expand overseas plantations. Target increase from current 200,000 ha to 300,000 ha in FY 2010.

\* Increase overseas plantations by 2.1-fold between FY 2004 and FY 2011.

\* Self-supply about 40% of imported wood chips when all of plantations reach harvestable age.

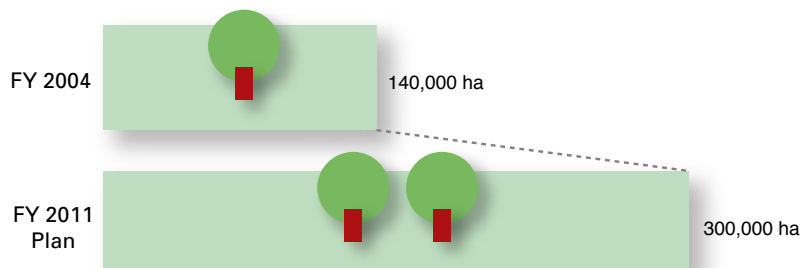
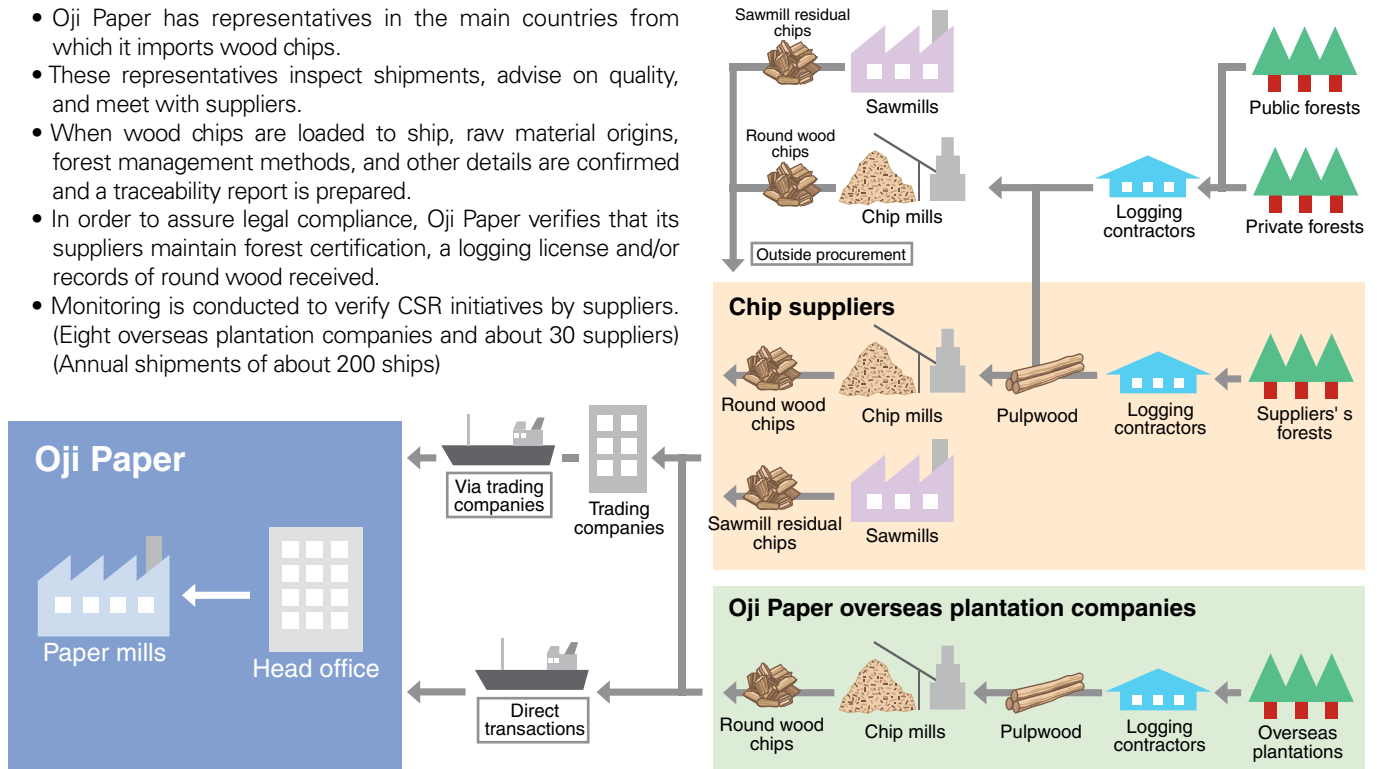


Figure 4. Diagram of Wood Raw Material Procurement Process

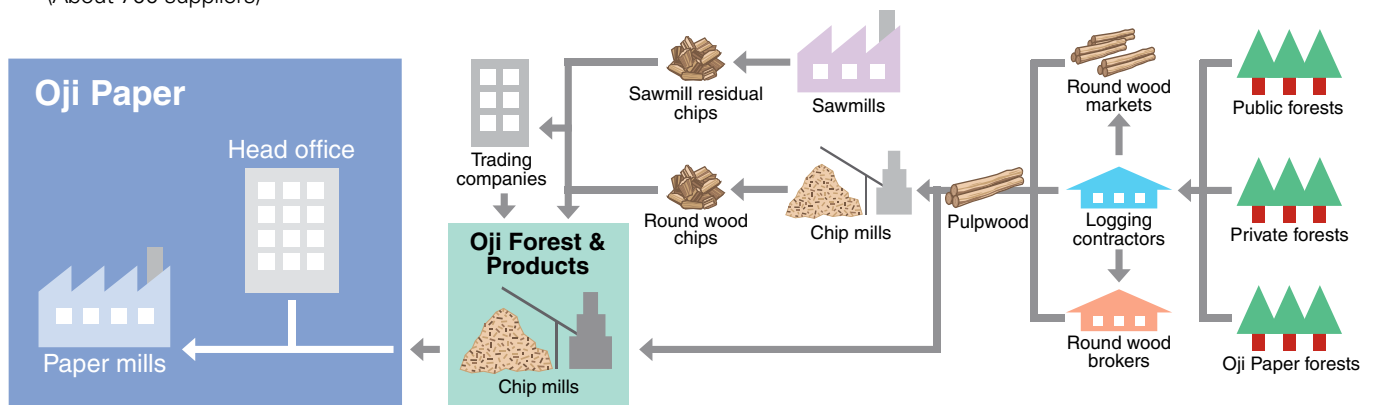
**Imported wood chips**

- Oji Paper has representatives in the main countries from which it imports wood chips.
- These representatives inspect shipments, advise on quality, and meet with suppliers.
- When wood chips are loaded to ship, raw material origins, forest management methods, and other details are confirmed and a traceability report is prepared.
- In order to assure legal compliance, Oji Paper verifies that its suppliers maintain forest certification, a logging license and/or records of round wood received.
- Monitoring is conducted to verify CSR initiatives by suppliers. (Eight overseas plantation companies and about 30 suppliers) (Annual shipments of about 200 ships)



**Domestic wood chips**

- Procurement of domestic wood chips is handled by Oji Forest & Products.
- Oji Forest & Products has representatives in major cities across Japan to meet with suppliers.
- Raw material origins, forest management methods, and other details are confirmed and traceability reports are prepared on a regular basis.
- Legal compliance is verified each time wood chips are received by truck.
- Monitoring is conducted to verify CSR initiatives by suppliers. (About 700 suppliers)



\* Saw mill residual chips are traced through to sawmills from the perspective of effectively utilizing unused wood. If particular problems arise origins of residual chips is traced back further.  
 \* The trade contracts between Oji Paper and its suppliers state clearly that wood from illegal logging shall not be purchased.