

Sumitomo Forestry Group's Sustainability Management

Corporate Philosophy and Sustainability Management

Sustainability Targets of Our Group 2021 Mid-Term Management Plan and Material Issues

Contributions to the SDGs and Material Issues

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Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities

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Corporate Philosophy and Sustainability Management

Sumitomo Forestry Group Corporate Philosophy and Sustainability Management

The Sumitomo Forestry Group has been operating and engaging in sustainable management based on its Corporate Philosophy of "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".

We have been operating based on this philosophy and engaging in sustainable management. We redefined the Sumitomo Forestry Group Code of Conduct in July 2017 so that it conforms to the requirements of society, such as recent international standards and initiatives. We formulate various policies and guidelines according to these principles, such as our environmental, procurement and human rights policies. In addition, to ensure Group-wide adoption of the Sumitomo Forestry Group Code of Conduct, we explain the Sumitomo Forestry Group Code of Conduct by distributing a Sumitomo Forestry Group Code of Conduct Handbook to each and every employee of Group companies in Japan and by carrying out e-Learning. This information is translated into English and other languages to implement the Code of Conduct along with Corporate Philosophy and Our Values among affiliated companies outside of Japan.

This information has also been disclosed on our website to our business partners and other stakeholders.

At the Sustainability Committee convened four times a year, we monitor the practice and effectiveness of these principles from our Corporate Philosophy to Our Values and Code of Conduct.

Moreover, based on the ISO26000, the International standard requiring organizations to practice social responsibility, the Sumitomo Forestry Group actively communicates with all stakeholders.

Incorporating the Sumitomo Group's shared values into its brand message "Happiness Grows from Trees," we will further promote sustainable management, thereby contributing to a sustainable society.

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.

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.

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 balance

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

- ▶ [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 \(Chinese\)](#) 

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.



World Business Council for Sustainable Development (WBCSD)

Sumitomo Forestry has been a member of the WBCSD* since January 2020.

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

* World Business Council for Sustainable Development is a CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world.



Task Force on Climate-related Financial Disclosures (TCFD)

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 begun the same year.



* Task Force on Climate-related Financial Disclosures was established by the direction of the Financial Stability Board (FSB) in April 2015 as a framework for voluntary informational disclosure by companies on risks and opportunities related to climate change.

Science Based Targets (SBT)

The Sumitomo Forestry Group has announced the formulation of SBTi^{*1} and set new greenhouse gases reduction target for the entire Group in June 2017 and was certified as SBT in July 2018.

- 1. Scope 1&2^{*2}: 21% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030.**
- 2. Scope 3^{*2}: 16% reduction of total greenhouse gas emissions from Category 1 and Category 11^{*3} compared to 2017 (base year) by 2030.**

^{*1} The SBTi was established in 2015 as a collaboration of four organizations - CDP (formerly the Carbon Disclosure Project), the UN Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi defines and promotes best practice in science-based target setting, to help companies determine a pathway for reducing their emissions in line with what is required to keep global temperature increase below 2 degrees Celsius compared to pre-industrial temperatures. In Japan, the Ministry of the Environment has translated this in Japanese as "Corporate 2°C Target" and is supporting company efforts.

^{*2} Scope 1: Direct GHG emissions of a company, including emissions from fuel consumption. E.g. CO₂ emissions from the use of gasoline for company vehicles.

Scope 2: Indirect GHG emissions from the generation of purchased electricity and heating. E.g. CO₂ emissions from the use of electricity by offices.

Scope 3: GHG emissions occurring in the supply chain. E.g. CO₂ emissions generated during the use of products sold.

^{*3} 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.

► Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities

RE100

Sumitomo Forestry joined the international RE100^{*} initiative in March 2020 that aims for 100% renewable energy in power used for business. Our goal is to transition fuel to generate power to 100% renewable energy in Sumitomo Forestry Group power and power generation businesses by 2040.

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



Sustainability Targets of Our Group 2021 Mid-Term Management Plan and Material Issues

Formulation of the 2021 Mid-Term Management Plan to Promote Further Integration of ESG initiatives

In 2015, Sumitomo Forestry Group identified five Material Issues related to sustainability and established a Mid-Term CSR Management Plan that specified strategies and targets for each issue. With fiscal 2020 set as the target year, each company and division within the Group has been working toward achieving those goals.

Interest in ESG is higher than ever from attention to technological innovations driven by the evolution of IT and significant industrial transformation driven by rapid globalization to concerns about climate change and human rights risk measures as well as stronger governance systems. Companies must contribute to the SDGs by addressing these issues in the pursuit of growth.

In response to the changing business environment, the Sumitomo Forestry Group sees a need to promote sustainable management to an even greater extent. We formulated new Mid-Term Sustainability Targets that incorporate the sustainability strategies and material issues within the 2021 Mid-Term Management Plan (FY2019 to FY2021). This plan includes the further promotion of integration between business operations and ESG initiatives as one of the basic policies.

We will strengthen our management platform and further promote future businesses through sustainable management that creates synergy between business and ESG initiatives.

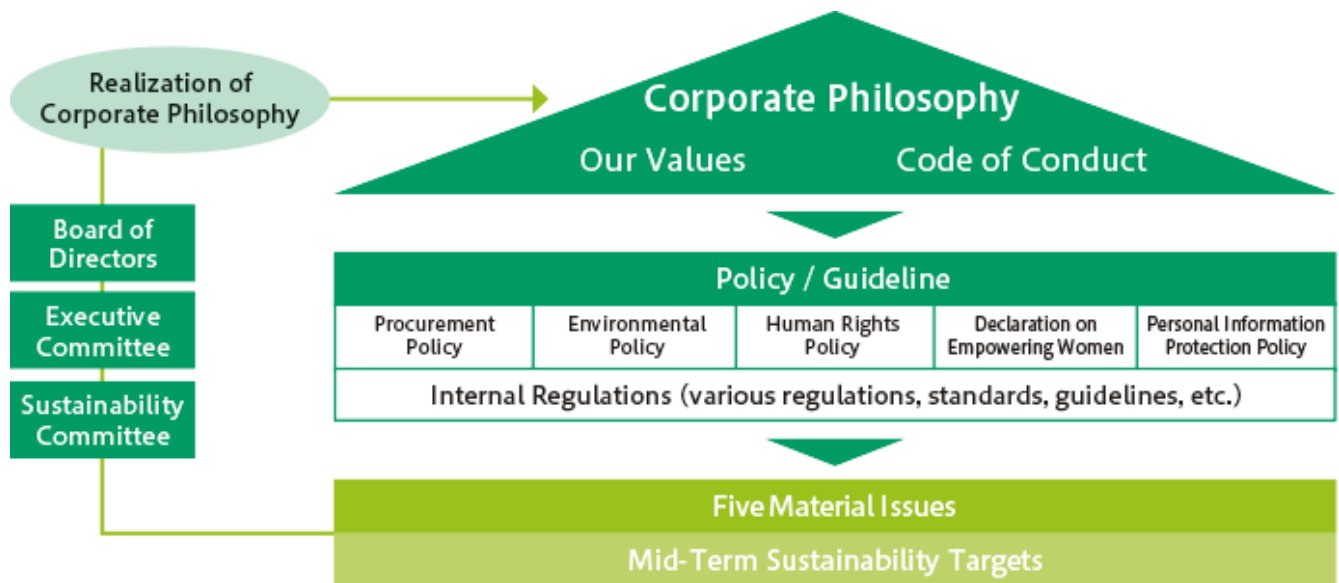
Sumitomo Forestry Group 2021 Medium-Term Management Plan -Four Basic Policies-



Formulation of Mid-Term Sustainability Targets

“The Mid-Term Sustainability Targets” announced in May 2019 is a revision of our previous Mid-Term CSR Plan based on our contributions to achieving the SDGs and the five material issues related to sustainability. Deliberations have been held in each business division and at management level, resulting in the expansion of our list of qualitative targets from 12 to 15 items.

Incorporating specific non-financial targets into our 2021 Mid-Term Management Plan has enabled us to further strengthen the link between our business and sustainability strategies. Not only does this enable us to meet the expectations of society such as SDGs, we believe it will also lead to an increase in corporate value which cannot be determined from a financial perspective alone.



Five Material Issues	Mid-Term Sustainability Targets	Related SDGs
1. Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity	①Management forests while mitigating climate change and protecting biodiversity ②Expanding the utilization of sustainable forest resources ③Building sustainable supply chains	
2. The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society	④Increasing environmentally conscious products and services <small>*including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)</small> ⑤Creating an environment that considers biodiversity ⑥Expanding businesses that contribute to resolving social issues ⑦Promoting sustainable and innovative technological development	
3. The Reduction of the Environmental Impact of Our Business Activities	⑧Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2) ⑨Protecting resources, reducing the generation of waste and achieving zero emissions ⑩Conserving and effectively utilizing water resources	
4. A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality	⑪Creating a work environment that generates diverse ideas, job satisfaction and vibrancy ⑫Securing human resources by training younger workers and utilizing older ones ⑬Reducing long work hours through work style reforms ⑭Eliminating occupational injuries	
5. Corporate Ethics and Governance Structures	⑮Reinforcing risk crisis and compliance structures	

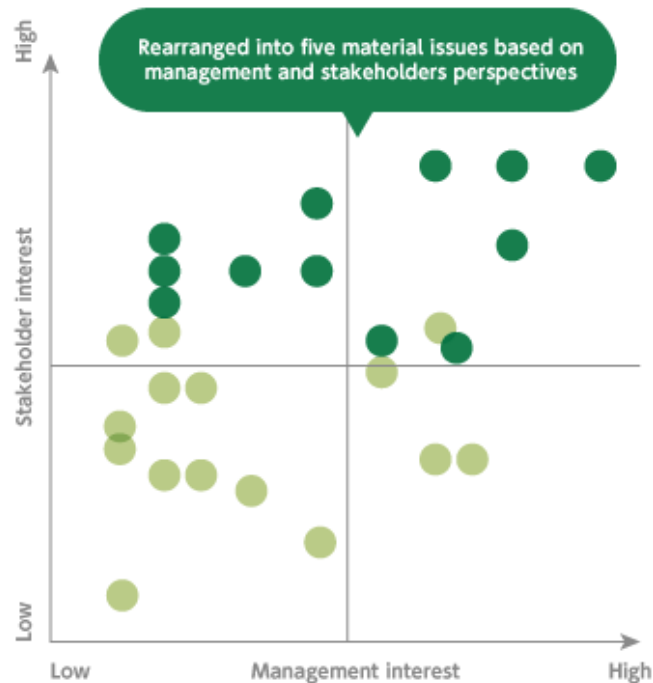
Identification of Material Issues Related to Sustainability

Following the changes in the economic, environmental and social situation, in March 2015, the Sumitomo Forestry Group identified material issues related to sustainability.

The Group surveyed both internal and external stakeholders as well as outside experts, receiving responses from about 2,700 people. In preparing the questionnaire, 27 issues most closely related to the Sumitomo Forestry Group were specified, based on the Sumitomo Forestry Group's Corporate Philosophy and Our Values, and taking into account such matters as ISO 26000, the international standard on the social responsibility of organizations, and evaluation points linked to socially responsible investment (SRI).

After incorporating management perspectives, the survey results were mapped out against axes of "management" and "stakeholders," before determining the materiality of each issue. 12 of these issues were identified as being highly material, and rearranged into 5 issues related to sustainability.

In conjunction with the formulation of Mid-Term Sustainability Targets in 2018, we also revised some of our material issues in light of new demands from the society.



Management of Mid-Term Sustainability Targets

In Mid-Term Sustainability Targets, we establish 15 qualitative targets based on contributions to achieving SDGs and on our five material issues. In addition, we specified evaluative indexes (quantitative goals) for each qualitative target item, which serve as our targets for fiscal 2021.

Each group company and department has set “Sustainability Budget” with numerical targets set for the fiscal year and commenced initiatives toward achieving these goals.

The Sumitomo Forestry Group fully implements a PDCA cycle for the 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 Issue 1: Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity
- ▶ Material Issue 2: The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society
- ▶ Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities
- ▶ Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality
- ▶ Material Issue 5: Corporate Ethics and Governance Structures

▶ Mid-Term Sustainability Targets Plan and Results



Relationship Between Material Issues and Business

The Sumitomo Forestry Group is building a unique value chain starting from forest management and plantation forest operations worldwide as well as procurement, distribution, manufacturing, and fabrication using a global network up through the provision of all types of housing construction and other lifestyle services. The table below indicates the each business in the value chain and 15 qualitative targets set based on the five material issues. We will promote ESG initiatives unified throughout our businesses.

15 Qualitative Targets	Housing and Construction Business	Distribution Business	Manufacturing Business	Forest Management	Environmental Energy Business	Business Responding to the Super-Aging Society
Material Issue 1: Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity						
1. Management forests while mitigating climate change and protecting biodiversity				○		
2. Expanding the utilization of sustainable forest resources	○	○	○	○	○	
3. Building sustainable supply chains	○	○	○			
Material Issue 2: The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society						
4. Increasing environmentally conscious products and services * including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)	○	○				
5. Creating an environment that considers biodiversity	○					

15 Qualitative Targets	Housing and Construction Business	Distribution Business	Manufacturing Business	Forest Management	Environmental Energy Business	Business Responding to the Super- Aging Society
6. Expanding businesses that contribute to resolving social issues					○	○
7. Promoting sustainable and innovative technological development	○	○				
Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities						
8. Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2)	○	○	○	○	○	○
9. Protecting resources, reducing the generation of waste and achieving zero emissions	○	○	○		○	○
10. Conserving and effectively utilizing water resources	○	○	○	○	○	○
Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality						
11. Creating a work environment that generates diverse ideas, job satisfaction and vibrancy	○	○	○	○	○	○

15 Qualitative Targets	Housing and Construction Business	Distribution Business	Manufacturing Business	Forest Management	Environmental Energy Business	Business Responding to the Super-Aging Society
12. Securing human resources by training younger workers and utilizing older ones	○	○	○	○	○	○
13. Reducing long work hours through work style reforms	○	○	○	○	○	○
14. Eliminating occupational injuries	○	○	○	○	○	○
Material Issue 5: Corporate Ethics and Governance Structures						
15. Reinforcing risk crisis and compliance structures	○	○	○	○	○	○

► Contributions to the SDGs and Material Issues

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.

The Sumitomo Forestry Group will promote further integration of business operations and ESG initiatives as one basic policy in the 2021 Mid-Term Management Plan announced in May 2019. We recognize the correlation between the creation of new business opportunities and business growth as well as initiatives that work to solve social issues defined in the SDGs to build a sustainable society. We do recognize the risks of not fully executing these initiatives as well, such as delays in compliance to laws and regulations and a harmed reputation.

With this awareness, our Mid-Term Sustainability Targets define 15 qualitative targets associated with five material issues according to relevance with the SDGs and clarify what can be done now by our Group to achieve the SDGs that outline an ideal form for 2030. We will aim to contribute to the SDGs by reaching the 15 qualitative targets of our material issues.








SUSTAINABLE DEVELOPMENT GOALS




















Material Issues and SDGs

To integrate the materials issues 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 2021 set as target based on the Mid-Term Sustainability Targets.

Material Issues and SDGs (Goals and Targets)




Five Material Issues	15 Qualitative Targets	Relevant SDGs (Goals and Targets)		
Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity	① Management forests while mitigating climate change and protecting biodiversity	 13.1	 15.1 15.2	 17.17
	② Expanding the utilization of sustainable forest resources	 12.2 12.8	 13.2	 15.2 15.3
	③ Building sustainable supply chains	 10.2	 12.2	 13.2
The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society	④ Increasing environmentally conscious products and services * including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)	 7.2	 9.4	 11.b
			 12.8	 13.2
	⑤ Creating an environment that considers biodiversity		 12.a	 15.4
	⑥ Expanding businesses that contribute to resolving social issues		 7.2	 11.3
			 15.1	 17.17




Five Material Issues	15 Qualitative Targets	Relevant SDGs (Goals and Targets)		
			 12.8	 13.1
	7 Promoting sustainable and innovative technological development	 9.4	 11.7	 12.8
			 13.1 13.2	 15.1
The Reduction of the Environmental Impact of Our Business Activities	8 Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2)			 13.1
	9 Protecting resources, reducing the generation of waste and achieving zero emissions		 11.6	 12.5
	10 Conserving and effectively utilizing water resources	 6.4	 11.7	 12.8
A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality	11 Creating a work environment that generates diverse ideas, job satisfaction and vibrancy		 5.5	 8.5
	12 Securing human resources by training younger workers and utilizing older ones			 8.5
	13 Reducing long work hours through work style reforms		 3.9	 8.5
	14 Eliminating occupational injuries		 3.9	 8.8

Five Material Issues	15 Qualitative Targets	Relevant SDGs (Goals and Targets)		
Corporate Ethics and Governance Structures	15 Reinforcing risk crisis and compliance structures			 16.5 16.7

Highlighted SDGs (Goals and Targets), 15 Qualitative Targets and Main Initiatives

SDGs (Goals and Targets)	Relevant 15 Qualitative Targets	Main Initiatives
 <p>3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.</p>	<p>9 Protecting resources, reducing the generation of waste and achieving zero emissions</p>	<p>► Management of Hazardous Chemical Substances and Appropriate Disposal</p>
 <p>5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p>	<p>11 Creating a work environment that generates diverse ideas, job satisfaction and vibrancy</p>	<p>► Promoting the Active Involvement of Female Employees</p>
 <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p>	<p>10 Conserving and effectively utilizing water resources</p>	<p>► Efficient Use of Water Resources</p>
 <p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.</p>	<p>6 Expanding businesses that contribute to resolving social issues</p>	<p>► Contributing to the Reduction of Greenhouse Gases Through the Renewable Energy Business</p>
 <p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p>	<p>12 Securing human resources by training younger workers and utilizing older ones</p>	<p>► Fair Employment and Benefits</p>
 <p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p>	<p>4 Increasing environmentally conscious products and services</p> <p>* including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)</p>	<p>► Home Building That Contributes to a Sustainable Society</p>
	<p>7 Promoting sustainable and innovative technological development</p>	<p>► Toward the Future - Aiming for the Timberized Eco Cities with W350 Plan-</p>

SDGs (Goals and Targets)		Relevant 15 Qualitative Targets	Main Initiatives
	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	③ Building sustainable supply chains	▶ Human Rights Initiatives
	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.	⑥ Expanding businesses that contribute to resolving social issues	▶ Business Responding to the Super-Aging Society
	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	⑨ Protecting resources, reducing the generation of waste and achieving zero emissions	▶ Promotion of Waste Reduction and Recycling
	11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels.	④ Increasing environmentally conscious products and services * including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)	▶ Home Building That Contributes to a Sustainable Society
	12.2 By 2030 achieve sustainable management and efficient use of natural resources	③ Building sustainable supply chains	▶ Procurement Initiatives
	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	⑨ Protecting resources, reducing the generation of waste and achieving zero emissions	▶ Promotion of Waste Reduction and Recycling
	13.1 Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries	① Management forests while mitigating climate change and protecting biodiversity	▶ Sustainable Forest Management
		⑥ Expanding businesses that contribute to resolving social issues	▶ Contributing to the Reduction of Greenhouse Gases Through the Renewable Energy Business
		⑧ Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2)	▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities

SDGs (Goals and Targets)		Relevant 15 Qualitative Targets	Main Initiatives
	13.2 Integrate climate change measures into national policies, strategies and planning.	④ Increasing environmentally conscious products and services * including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)	▶ Home Building That Contributes to a Sustainable Society
	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements	① Management forests while mitigating climate change and protecting biodiversity	▶ Sustainable Forest Management
	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.	① Management forests while mitigating climate change and protecting biodiversity	▶ Protecting and Utilizing Domestic Forest Resources
		② Expanding the utilization of sustainable forest resources	▶ Forest Revitalization Initiatives
	15.3 By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.	② Expanding the utilization of sustainable forest resources	▶ Reforestation Activities Contributing to the Society ▶ Consulting Business ▶ Forest Management Overseas
	15.8 By 2020, introduce measures to prevent the introduction and significantly reduce the impact of invasive alien species on land and water ecosystems and control or eradicate the priority species.	④ Increasing environmentally conscious products and services * including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)	▶ Contributions to Eco Cities Through Greening
		⑤ Creating an environment that considers biodiversity	▶ Contributions to Eco Cities Through Greening
	16.5 Substantially reduce corruption and bribery in all their forms.	⑮ Reinforcing risk crisis and compliance structures	▶ Compliance
	17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.	③ Building sustainable supply chains	▶ Promoting Sustainable Timber Procurement

Dissemination of SDGs

Sumitomo Forestry Group believes that it is crucial to disseminate and foster an understanding of SDGs in each and every employee to contribute to the SDGs through business. We conduct various initiatives to raise employee awareness (examples below).

Cosponsoring the Nikkei SDGs Forum

Sumitomo Forestry Group is cosponsoring the Nikkei SDGs Forum, a project run by the Nikkei Group to support companies in their efforts to achieve the Sustainable Development Goals (SDGs) set by the United Nations, from fiscal 2018.

Committing to the Shizuoka City SDGs Declaration

The Shizuoka Branch of the Housing and Construction 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 in fiscal 2020, we have set an 80% standardization rate for Net Zero Energy Houses (ZEH).

In January 2019, the Shizuoka Branch participated in the symposium "Local Communities and SDGs: Furthering SDGs Together" held by Shizuoka City. They exhibited a booth that provided information on broad topics from installing solar panels and strengthening tree-planting proposals to providing environmentally-friendly housing.

Holding a Greenery and SDGs Seminar Jointly with Kumagai Gumi

In July 2019, we jointly organized the Sumitomo Forestry and Kumagai Gumi Greenery and SDGs Seminar at the head office of Kumagai Gumi, which has a business and capital alliance with Sumitomo Forestry. Roughly 250 people from both companies participated in the seminar that introduced environmental real estate business examples that aim to integrate construction and greening technologies with expertise possessed by both Sumitomo Forestry and Kumagai Gumi. Environmental experts also provided keynote speeches on the perspectives of SDGs.

By taking advantage of the strengths of both companies, we will propose sustainable construction and spaces that leverage the power of greenery.

Implementation of SDGs Dissemination Workshops and Training

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 and training sessions were held four times in fiscal 2019 with 101 participants, mainly among employees working on housing, construction, production, and distribution.

The General Manager Meeting convened in October 2019 also gathered 171 general managers together for a lecture with theme "SDGs change companies" by Hiroko Kuniya, newscaster and goodwill ambassador of the Food and Agriculture Organization of the United Nations (FAO).

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.



Workshop Using Lego Blocks

Material Issue 1: Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity

Basic Policy

With businesses centered on wood, Sumitomo Forestry Group promotes sustainable forest management and timber procurement both domestically and abroad. In procuring wood and timber products, we engage in management under specified numerical targets, placing it as an important theme of sustainability that encompasses environmental aspects such as climate change measures and biodiversity conservation as well as social aspects such as human rights.

With increase in concern about forest depletion as one of the causes of climate change, demand for sustainability in procurement is on the rise. Amid these circumstances, Sumitomo Forestry Group has declared the goal of handling all of its timber and timber products to be sustainable by fiscal 2021. We have heightened our evaluation criteria for sustainable timber procurement as we work to step up our confirmation system. As we continue to contribute to solving social issues, we have defined KPI to establish timber procurement that achieves both forest resource utilization and biodiversity conservation.

Related SDGs



► Contributions to the SDGs and Material Issues

Management of Material Issue 1

Material Issue 1 of our Mid-Term Sustainability Targets is “Ongoing timber and materials procurement that considers sustainability and biodiversity.” We have derived three targets from this issue, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department. We also assess the impacts that the material issue has on society and the environment.

Targets of Material Issue 1

1. Management forests while mitigating climate change and protecting biodiversity
2. Expanding the utilization of sustainable forest resources
3. Building sustainable supply chains

Impact on Society and the Environment

Targets of Material Issue 1	Impact (Influence)
1. Management Forests while mitigating climate change and protecting biodiversity	<ul style="list-style-type: none"> Contributing to climate change measures through CO₂ fixation Contributing to the protection of rare species and other conservation of biodiversity Contributing to forest industry and regional revitalization by heightening forest sustainability
2. Expanding the utilization of sustainable forest resources	<ul style="list-style-type: none"> Securing seedlings for replanting and promoting circular use of forest resources from cutting to replanting Contributing to greater biomass power generation (renewable energy supply) in Japan Heightening regional resilience Contributing to forest industry and regional revitalization by utilizing domestic timber Enhancing standardization, awareness, and added value of sustainable timber and products as well as certified timber
3. Building sustainable supply chains	<ul style="list-style-type: none"> Improving the sustainability of timber products imported from overseas and domestic housing materials (Resolve the environmental and human rights issues/ Coexisting and co-prospering with society)

Management of Each Target

Management Forests While Mitigating Climate Change and Protecting Biodiversity



Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Maintain and expand the area of certified forests	Domestic and overseas certified forest area (ha)	Environment and Resources Division	220,417	221,101	○	222,144	221,467

* Rating

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

► Sustainable Forest Management

Expanding the Utilization of Sustainable Forest Resources

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Expand domestic and overseas forest plantation area with seedlings produced	Area of forest plantation with in-house produced seedlings (ha)	Environment and Resources Division	6,553	7,770	○	7,456	7,920
	Seedlings supplied (unit: 10 Thousand)	Environment and Resources Division Timber and Building Materials Division	511	414	△	509	726
Expand the volume of chip and pellet fuel used	Amount of biofuel material used (such as wood chips and pellets) (t)*	Environment and Resources Division Timber and Building Materials Division	1,188,010	1,112,224 	△	1,217,541	1,363,930
Increase quantity of sustainable timber and timber products handled and used	Percentage of sustainable timber and timber products handled (%)	Timber and Building Materials Division	89.0	89.8 	○	93.0	100
	Rate of sustainable timber used as primary building material (%)	Housing and Construction Division	80.0	80.6	○	100	100

* Includes Japan Bio Energy Co., Ltd., Okhotsk Bio Energy Co. Ltd., Michinoku Bio Energy Co., Ltd., and the Sumitomo Forestry Timber and Building Materials Business.

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

- ▶ Protecting and Utilizing Domestic Forest Resources
- ▶ Fuel Manufacturing (Chips, Pellets)
- ▶ Procurement Initiatives (Distribution Business)
- ▶  About symbol for Independent assurance

Building Sustainable Supply Chains

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Update the Sustainability procurement survey form and formulate survey plan	Sustainability procurement survey implementation rate*1 in the supply chain of the domestic housing department (%)	Housing and Construction Division	65.0	86.0	○	88.0	80.0
	Sustainability procurement survey implementation rate*2 of suppliers of imported timber (%)	Timber and Building Materials Division	100	100	○	100	100

*1 Rate accounts for the purchasing ratio of the suppliers surveyed

*2 Rate accounts for the number of suppliers implementing sustainability surveys versus the number of suppliers encompassed in the Timber Procurement Committee timber procurement due diligence for this fiscal year

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

- ▶ [Procurement Initiatives \(Distribution Business\)](#)
- ▶ [Human Rights Initiatives](#)
- ▶ [About symbol for Independent assurance](#)

Toward the Future

Sumitomo Forestry conducts periodic reviews to confirm sustainability at all procurement suppliers for timber and timber products we directly import from overseas. The percentage of sustainable timber and timber products handled in fiscal 2019 showed a favorable shift upward to 89.8% against our target of 89.0%. We aim to reach 100% procurement of sustainable timber and timber products by fiscal 2021. The sustainability procurement survey implementation rate in the supply chain of the domestic housing department which was set as a new target in fiscal 2019, was 86% out of the amount of material purchases from suppliers. We aim to build and expand the scope of sustainable supply chains in the future.

Material Issue 2: The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society

Basic Policy

Sumitomo Forestry Group provides a full complement of products and services related to our customers' lifestyles, beginning with housings. While it goes without saying that we attend to customer's peace of mind and safety in providing products and services, we also believe that engaging in development and sales mindful of creating a sustainable society is a crucial role that our Group must fulfill.

One of the areas which we can contribute the most in reducing environmental impact is the reduction of greenhouse gases emissions from housings that people live in. Net Zero Energy Houses (ZEH) and other housing measures in Japan offer guidance to creating eco products as well as advocate excellent long-term housing as an asset. Sumitomo Forestry will contribute to a sustainable society by setting ZEH order quotas and other targets for environmentally-friendly products in addition to recommending ZEH housing while tailoring specifications to customer needs in order to reduce the energy consumption of each household.

Related SDGs



► Contributions to the SDGs and Material Issues

Management of Material Issue 2

Within our Mid-Term Sustainability Goals, our Material Issue 2 “the development and sale of reliable and safe products and services that consider the environment and society” is broadly divided into four goals, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department. We also assess the impacts that the material issue has on society and the environment.

Targets of Material Issue 2



1. Increasing environmentally conscious products and services
* Including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)
2. Creating an environment that considers biodiversity
3. Expanding businesses that contribute to resolving social issues
4. Promoting sustainable and innovative technological development

Impact on society and the environment

Targets of Material Issue 2	Impact (Influence)
1. Increasing environmentally conscious products and services * Including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)	<ul style="list-style-type: none"> 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)
2. Creating an environment that considers biodiversity	<ul style="list-style-type: none"> Conserving and expanding biodiversity endogenous to each region Protecting biodiversity in Japan
3. Expanding businesses that contribute to resolving social issues	<ul style="list-style-type: none"> Solving social issues by expanding businesses
4. Promoting sustainable and innovative technological development	<ul style="list-style-type: none"> Building a sustainable society by providing sustainable architecture Expanding the potential of wood construction and encouraging further use of timber as a sustainable resource. This will ultimately help promote sustainable forest use.

Management of Each Target

Increasing Environmentally Conscious Products and Services

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Promote standards for energy generation and conservation housing	Percentage of orders for ZEH type houses out of new custom-built detached housings (%)	Housing and Construction Division	60.0	48.2 	△	80.0	80.0
	Rate of Environmentally-friendly renovation order rate (%)	Housing and Construction Division	50.0	52.4	○	55.0	60.0
	Sales of sash, glass wool and solar power generation systems (unit: million yen)	Timber and Building Materials Division	23,119	23,227	○	22,980	24,040
Increase value added by carbon stock from use of timber	Carbon stock in wooden architecture in Japan (t-CO ₂)	Housing and Construction Division	190,676	193,072	○	199,417	199,509
Propose products utilizing seedlings and natural cycle	Rate of orders for environmentally-friendly product (%)	Housing and Construction Division	58.0	56.8 	△	59.0	63.0

* Environmentally-friendly products consist of the following: (1) local seedlings, (2) permeable paving material, (3) green wall construction, (4) rooftop greening, (5) biotope and (6) use of recycled materials

* Rating

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

▶ [Home Building That Contributes to a Sustainable Society](#)

▶  [About symbol for Independent assurance](#)

Creating an Environment that Considers Biodiversity


Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Expanding sales of native species	Sales of native species logs (unit: trees)	Housing and Construction Division	450,000	424,000	△	450,000	500,000

* Rating

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

▶ [Contributions to Eco Cities Through Greening](#)

Expanding Businesses That Contribute to Resolving Social Issues

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Number of rooms added through new facilities construction	Number of rooms at private-pay elderly care facilities (rooms)	Lifestyle Services Division	1,457	1,455	×	1,764	2,014
Expand renewable energy business	Amount of electricity supplied by renewable energy business (converted to number of households supplied)*	Environment and Resources Division	217,768	219,628 	○	220,486	373,826

* The number of households (with an annual electricity use of 3,120kWh per household) to which electricity could be supplied, based on the amount of electricity supplied annually by the renewable energy business.

* Rating

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

▶ [Business Responding to the Super-Aging Society](#)

▶ [Contributing to the Reduction of Greenhouse Gases Through the Renewable Energy Business](#)

▶  [About symbol for Independent assurance](#)

Promoting Sustainable and Innovative Technological Development

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Solve technical issues toward achieving W350 Project	The current state of progress in W350 Project development	Tsukuba Research Institute	Basic design formulation toward achieving W30	Basic design formulation toward achieving W30 (Study base design complete)	○	Basic design formulation toward achieving W30 (Design for actual property planned)	Materials development and basic design formulation toward achievement of W70

* Rating

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

► MOCCA (Timber Solutions) Business

Toward the Future

We were able to confirm progress in improving as a whole compared to fiscal 2018 even though we did not reach some targets in fiscal 2019.

The percentage of orders for ZEH type houses out of new custom-built detached housings increased from 38% in fiscal 2018 to 48.2% in fiscal 2019. However, we did not meet our 60% target. Sumitomo Forestry will promote the economic benefits of ZEH and encourage an even higher number of orders toward achieving a goal of 80% in fiscal 2020.

In terms of the amount of electricity supplied by renewable energy business, we were able to exceed our target by supplying power worth the annual electricity use of 219,628 households through the stable operation of the Mombetsu Biomass Power Generation and other renewable energy plants. We aim to supply power worth the annual electricity use of 373,826 households in fiscal 2021 with the addition of power that will be generated in the Kanda Biomass Power Generation Plant which is scheduled to start operation in fiscal 2021.

Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities

Basic Policy

With the impact of climate change becoming increasingly problematic on a global scale, companies are being asked to reduce emission of greenhouse gas that cause global warming and to implement energy saving initiatives.

In consideration of the environmental impact of these operations, the Sumitomo Forestry Group fully recognizes the importance of reducing greenhouse emissions and taking other measures to combat climate change through the promotion of strict energy-saving activities, renewable energy use and other efforts. With a mid- to long-term perspective of the future, in 2018, we established greenhouse gas emission reduction goals for 2030, and were certified as SBT* in July 2018. Furthermore, we joined the RE100 international initiative with the goal of transition of power generation fuel to 100% renewable energy for power used in business activities of Sumitomo Forestry Group and power generation business by 2040.

In addition, to reduce environmental burden and more effectively utilize natural resources, we are promoting the reduction, reuse and recycling of industrial waste.

* Science Based Targets. These targets are set for companies to achieve reduction goals in-line with scientific knowledge to limit the raising average temperature around the world to less than 2°C.

Related SDGs



► [Contributions to the SDGs and Material Issues](#)

Management of Material Issue 3

Within our Mid-Term Sustainability Targets, our Material Issue 3 “the reduction of the environmental impact of our business activities” is broadly divided into three goals, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department. We also assess the impacts that the material issue has on society and the environment.

Targets of Material Issue 3

1. Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2)
2. Protecting resources, reducing the generation of waste and achieving zero emissions
3. Conserving and effectively utilizing water resources

Impact on Society and the Environment

Targets of Material Issue 3	Impact (Influence)
1. Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2)	<ul style="list-style-type: none"> Contributing to the reduction of the environmental impact and solutions to climate change by achieving SBT and RE100
2. Protecting resources, reducing the generation of waste and achieving zero emissions	<ul style="list-style-type: none"> Protecting resources and reducing the environmental impact by advocating for recycling and zero emissions
3. Conserving and effectively utilizing water resources	<ul style="list-style-type: none"> Solutions to water issues Improving environmental awareness of consumers

Management of Each Target


Reducing Greenhouse Gas Emissions Toward Creating a Decarbonized Society (SBT: Scope 1 & 2)

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Reduce greenhouse gas emissions	Greenhouse gas emissions (t-CO ₂ e) Percentage change from fiscal 2017	Each department	380,356 +2.9%	380,641 +2.9%	△	371,855 +0.6%	402,768 +8.9%
	Carbon efficiency (t-CO ₂ e/million yen)	Sustainability Department	0.341 (0.275) *	0.345 (0.283)	△	0.331 (0.279)	0.318 (0.264)





* Figures in parenthesis are sales before applying accounting standards related to revenue recognition

* Rating

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

- ▶ [Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities](#)
- ▶ [Boundaries and Methods of CO₂ Emissions Calculation](#)
- ▶  [About symbol for Independent assurance](#)

Protecting Resources, Reducing the Generation of Waste and Achieving Zero Emissions

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Promotion of industrial waste separation	Recycling rate at new housing construction sites (%) *1	Housing and Construction Division	96.1	94.3 	△	97.7	98.0
	Recycling rate at housing demolition sites (%) *2 (as of start of demolition work on main structure)		98.0	99.9	○	98.0	98.0
	Recycling rate at the work sites of the renovation business unit *3 (%)		80.0	74.2 	△	82.0	84.0
	Recycling rate at the work sites of the power generation business unit	Environment and Resources Division	52.5	81.6 	○	79.3	56.5
	Recycling rate at overseas manufacturing plants (%)	Timber and Building Materials Division	97.9	97.5 	×	98.2	98.0
	Recycling rate at domestic manufacturing plants (%)	Timber and Building Materials Division Housing and Construction Division Environment and Resources Division	99.5	99.0 	×	99.2	99.5
	Recycling rate of Lifestyle Service Business, etc. *4 (%)	Lifestyle Services Division, etc.	95.2	90.8	×	93.1	98.0
Waste reduction Promote zero-emissions	Industrial waste final disposal amount (t) (Compared to 2017 Percentage Change)	Sustainability Department	58,860 (▲7.5%)	55,515 (▲12.8%)	○	56,632 (▲11.0%)	54,087 (▲15.0%)
	Total industrial waste generated (waste generated per detached house) (kg/structure) (Compared to 2017 Percentage Change)	Housing and Construction Division	3,020 (▲9%)	3,002 (▲10%)	○	2,950 (▲11%)	2,730 (▲18%)

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

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

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

*4 Includes emissions associated with Lifestyle Service Business, housing-related materials sales, and other operational locations.

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

- Promotion of Waste Reduction and Recycling
- About symbol for Independent assurance

Conserving and Effectively Utilizing Water Resources

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Proper management of water resources	Water use volume (unit: 1,000m ³)	Sustainability Department	2,981 or less	2,936	○	2,824 or less	3,011 or less

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

- Efficient Use of Water Resources

Toward the Future

Sumitomo Forestry Group had 380,641t-CO₂e in total greenhouse gas emissions, which did not reach our target of 380,356t-CO₂e. However, we were able to reduce emissions 972t-CO₂e compared to fiscal 2018. Mombetsu Biomass Power Generation in particular contributed greatly to the reduction of greenhouse gas emissions overall by bringing down the mixed fuel burning ratio of coal used as a raw material to 16% from 20% in fiscal 2017.

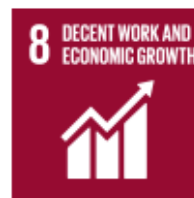
Our recycling rate of industrial waste in the domestic housing department was 94.3%, which did not achieve our 96.1% target. However, this recycling rate did improve from 94.2% in fiscal 2018. In fiscal 2020, we will further reduce industrial waste emissions and improve our recycling rate by advancing precut Kizure Panels, roofing, and external wall materials.

Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness Their Skills and Individuality

Basic Policy

The Group promotes a free and open-minded corporate culture that respects diversity in accordance with Our Values. We are also committed to securing an appropriate balance between work and individual commitments such as caring for children and the elderly, maintaining a safe and healthy work environment, implementing regular education and training programs to prepare for disasters, accidents and so forth, as stipulated in the Sumitomo Forestry Group Code of Conduct established in 2017. Further, we are advancing development of a vibrant workplace where diverse human assets can be actively engaged without regard to gender, age, nationality, race, religion or disability.

Related SDGs



► [Contributions to the SDGs and Material Issues](#)

Management of Material Issue 4

Within our Mid-Term Sustainability Targets, our Material Issue 4 “a vibrant work environment where a diverse workforce can unharness their skills and individuality,” is broadly divided into four goals, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department. We also assess the impacts that the material issue has on society and the environment.

Targets of Material Issue 4

1. Creating a work environment that generates diverse ideas, job satisfaction and vibrancy
2. Securing human resources by training younger workers and utilizing older ones
3. Reducing long work hours through work style reforms
4. Eliminating occupational injuries

Impact on Society and the Environment

Targets of Material Issue 4	Impact (Influence)
1. Creating a work environment that generates diverse ideas, job satisfaction and vibrancy	<ul style="list-style-type: none"> Eliminating gender discrimination in Japan, a nation facing the worst gender discrimination of developed countries Enhancing corporate and social sustainability through innovation realized from diverse ideas

Targets of Material Issue 4	Impact (Influence)
2. Securing human resources by training younger workers and utilizing older ones	<ul style="list-style-type: none"> • Securing better human resources as society at large faces an aging population with a falling birth rate and a declining workforce • Enhancing corporate value by improving work productivity • Realizing a diverse society
3. Reducing long work hours through work style reforms	<ul style="list-style-type: none"> • Securing better human resources as society at large faces an aging population with a falling birth rate and a declining workforce • Enhancing corporate value by improving work productivity • Realizing a diverse society
4. Eliminating occupational injuries	<ul style="list-style-type: none"> • Ensuring employee health by building a safe, secure workplace (higher satisfaction)

Management of Each Target

Creating a Work Environment that Generates Diverse Ideas, Job Satisfaction and Vibrancy

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Promotion of women's participation and advancement in the workplace	Percentage of female employees in management positions (%)	Sumitomo Forestry	Personnel Department	4.2	4.2	○	5.0	5.5
		Consolidated in Japan	Personnel Department	6.2	6.1	△	6.7	7.3
Improve employee satisfaction	Employee satisfaction level (%)	Sumitomo Forestry	Personnel Department	83.0	78.8	×	81.0	85.0
	Change in employee satisfaction level compared to base year (%)	Consolidated in Japan	Personnel Department	— *	58.6	—	61.5	Compared to Fiscal 2019 Percentage Change 110

* No figures are available until fiscal 2018 because employee satisfaction surveys were administered biennially until then. They have been implemented annually since fiscal 2019.

* Rating

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

- Fair Employment and Benefits
- Communication with Employees

Securing Human Resources by Training Younger Workers and Utilizing Older Ones

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Develop human resources from a long-term perspective according to the revision of the evaluation system (April 2019) and evaluator training	Three-year turnover rate among newly hired graduates (%)	Sumitomo Forestry	Personnel Department	17.0	15.6	○	15.6	15.0
		Consolidated in Japan	Personnel Department	15.3	13.1	○	10.2	12.9
Enhance training programs	Training cost per employee (unit: 1,000 yen)	Sumitomo Forestry	Personnel Department	120	102	△	132	132
		Consolidated in Japan	Personnel Department	65	46	×	66	66
	Total number of training participants (persons)	Sumitomo Forestry	Personnel Department	13,000	11,390	△	13,000	13,000
		Consolidated in Japan	Personnel Department	15,224	15,036	△	15,700	16,176
	Training time per employee (hours)	Sumitomo Forestry	Personnel Department	13.7	18.0	○	14.4	15.5
Implement year-initial interviews prior to full-term retirement	Employment rate of people over 60 years old (including re-employment) (%)	Sumitomo Forestry	Personnel Department	82.0	79.6	△	82.0	87.0
		Consolidated in Japan	Personnel Department	64.0	69.4	○	67.7	78.0

* Rating

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

- ▶ Fair Employment and Benefits
- ▶ Communication with Employees

Reducing Long Work Hours Through Work Style Reforms

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Guidance for improvement to departments with low rates of paid-leave use	Average paid leaves taken by employees (days)	Sumitomo Forestry	Personnel Department	12.3	11.5	△	13.5	14.0
		Consolidated in Japan	Personnel Department	10.0	10.6	○	10.6	11.3





Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Expand departments using flextime and internal mock inspections	Average overtime working hour reduction rate compared to fiscal 2013 (%)	Sumitomo Forestry	Personnel Department	▲27.6	▲30.2	○	▲30.0	▲32.0
	Average overtime working hour reduction rate compared to fiscal 2017 (%)	Consolidated in Japan	Personnel Department	▲3.3	▲12.9	○	▲9.9	▲11.3

* Rating

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

► Work-Life Balance


Eliminating Occupational Injuries

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Implement reciprocal safety audits and manufacturing department safety audits Share case studies and implement risk assessments	Number of serious occupational injuries (incidents) (four or more days of lost worktime)	Manufacturing sites (contractors and subcontractors)	Timber and Building Materials Division	0	9 	△	0	0
		Plantation sites (contractors)	Environment and Resources Division	0	3 	△	0	0
		New housing construction sites in Japan*	Housing and Construction Division	0	20 	×	0	0
		New housing construction sites outside Japan	Overseas Housing and Real Estate Division	0	9 	△	0	0
	Number of occupational injuries (incidents) (requiring one to three days of lost worktime)	New Construction sites in Japan	Housing and Construction Division	0	19	×	0	0

* Includes sole proprietorships

* Rating

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

- ▶ Occupational Health and Safety Management
- ▶ Occupational Health and Safety on Construction Sites
- ▶ Occupational Health and Safety (Manufacturing Business)
- ▶ Occupational Health and Safety in the Forestry Business
- ▶  About symbol for Independent assurance

Toward the Future

The Act on the Arrangement of Related Acts to Promote Work Style Reform was enforced in April 2019, which defines various policies on work style reform, such as setting an upper limit to overtime, and mandatory acquisition of five days of paid leave per year. With these reforms, the average paid leave taken by our employees increased to 11.5 days in fiscal 2019 from 10.1 days in the previous fiscal year. Our affiliated companies also increased the average paid leave taken.

We were also able to reduce overtime by 30.2%, further reducing from 24.9% in the previous fiscal year, compared to fiscal 2013. Our affiliated companies were also able to reduce overtime. We will continue to improve paid leave taken by employees and reduce overtime.

Sumitomo Forestry set a target of zero occupational injuries, but incidents occurred in each business sector in fiscal 2019. In particular, 20 serious occupational injuries (incidents), such as fall accidents, resulting in four or more days of lost worktime occurred on new housing construction sites in Japan. One occupational injury resulting in death also occurred at an overseas plant in January 2020.

In light of this incident, Sumitomo Forestry established the new Quality Control and Worker Safety Management Department directly under the President in April 2020 to strengthen the on-site quality and safety management system utilizing the ISO 9001 and ISO 45001. In the future, Sumitomo Forestry will continue to conduct safety patrols on construction sites, verify safety during quality inspections, and strengthen all initiatives toward zero occupational accidents throughout the entire Group.

Material Issue 5: Corporate Ethics and Governance Structures

Basic Policy

The Sumitomo Forestry Group is reviewing its philosophy system to reflect globalization, diversification, and expansion of our business. Our sustainable management formulated based on our Corporate Philosophy, Our Values, and Code of Conduct also complies with international standards and initiatives as well as other social demands. We are also working to reinforce the mechanism for managing business risk—which also encompasses Group companies—by constantly managing prioritized risks through the Risk Management Committee while strengthening Business Continuity Management (BCM) system against disasters.

Related SDGs



► [Contributions to the SDGs and Material Issues](#)

Management of Material Issue 5

Within our Mid-Term Sustainability Targets, our Material Issue 5 “Reinforcing risk crisis and compliance structures” is reflected in one broad goal, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department. We also assess the impacts that the material issue has on society and the environment.

Targets of Material Issue 5

Reinforcing risk crisis and compliance structures

Impact on Society and the Environment

Targets of Material Issue 5	Impact (Influence)
Reinforcing risk crisis and compliance structures	<ul style="list-style-type: none"> • Enhancing corporate value (especially for shareholders) • Consistently supplying products and supporting the businesses of our suppliers by quickly recovering business in times of emergency

Management of Each Target

Reinforcing Risk Crisis and Compliance Structures

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Progress check of prioritized risk items set by the Risk Management Committee and share materialized risks	Progress management for prioritized risks (conducted on a quarterly basis by the Risk Management Committee) (%)	General Administration Department	100	100	○	100	100
Understand the extent of compliance awareness and enhance channels for reporting misconduct and compliance violations	Regular implementation and phased deployment of compliance awareness surveys	General Administration Department	Sumitomo Forestry	Sumitomo Forestry	○	Major group companies in Japan	All group companies in Japan and some group companies overseas
Obtain external certification for Business Continuity Management (BCM)	Obtaining resilience certification	General Administration Department	Sumitomo Forestry	Not obtained	×	Sumitomo Forestry and all major domestic group companies	All major domestic group companies
Analyze and disclose potential financial impact from climate-related risks that could (potentially) have on the organization	Conduct scenario analysis and disclosure consistent with guidance from the Task Force on Climate-related Financial Disclosures (TCFD)	Sustainability Department	Re-examination of analysis results and expansion of scope of application for two sectors: domestic housing business and timber and building materials business	Implement for two sectors, domestic housing business and timber and building materials business	×	Re-examination of analysis results and expansion of scope of application for two sectors: domestic housing business and timber and building materials business	Completion of re-examination of analysis results for all business departments, and incorporation into the subsequent mid-term plan.

* Rating

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

- Risk Management
- Compliance
- Business Continuity Management
- Responding to TCFD

Toward the Future

In fiscal 2019, Sumitomo Forestry conducted a questionnaire to survey employee awareness about compliance. In fiscal 2020, we plan to analyze these results to assess the current state of understanding, better the corporate climate, and heighten awareness. To expand the scope of this assessment, we plan to conduct the same questionnaire at some of our affiliated companies. Although Sumitomo forestry did not obtain the Resilience certification in the year under review, we and our affiliated companies aim to acquire the certification in fiscal 2020.

We implemented TCFD scenario analyses in two departments: the domestic housing business as well as the timber and building materials business. In fiscal 2020, we plan to re-analyze these two departments while expanding the scope and disclosing information about these measures.

Stakeholder Engagement

Basic Policy

The Sumitomo Forestry Group is involved with various stakeholders because the business activities conducted by the Group are in broad range of global businesses from the upstream to the downstream with wood at the core. We are always focused on communication, starting with our business activities while taking into account the relationship between the direct and indirect impact. Our basic policy is to sincerely respond to that expectations and requirements.

Stakeholders of the Sumitomo Forestry Group



Responsibilities and Communication Methods

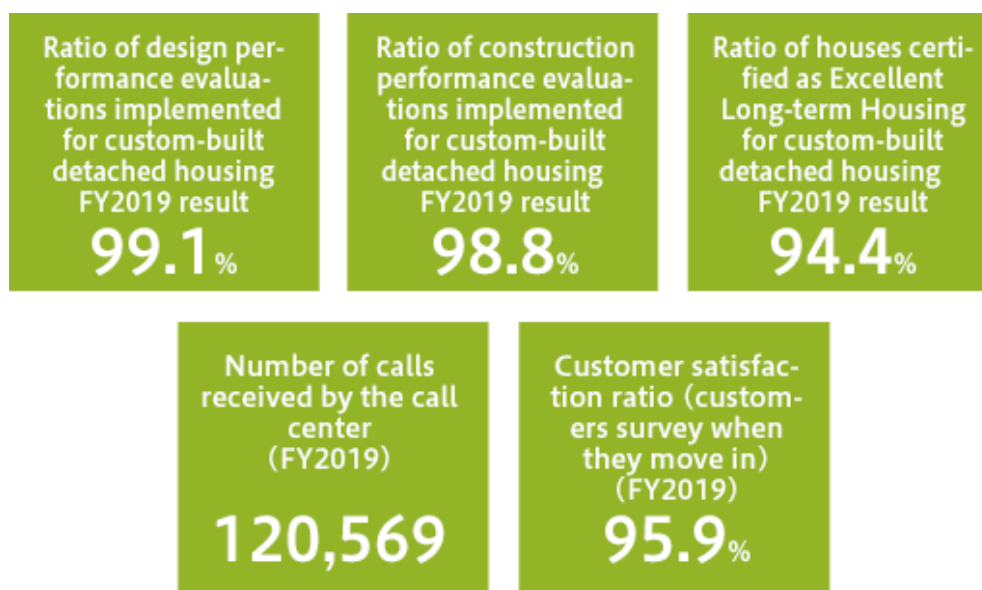
Customers

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, centralization and depopulation in 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.

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

Relevant Performance



- ▶ Product Safety and Quality Control
- ▶ Communication with Our Customers

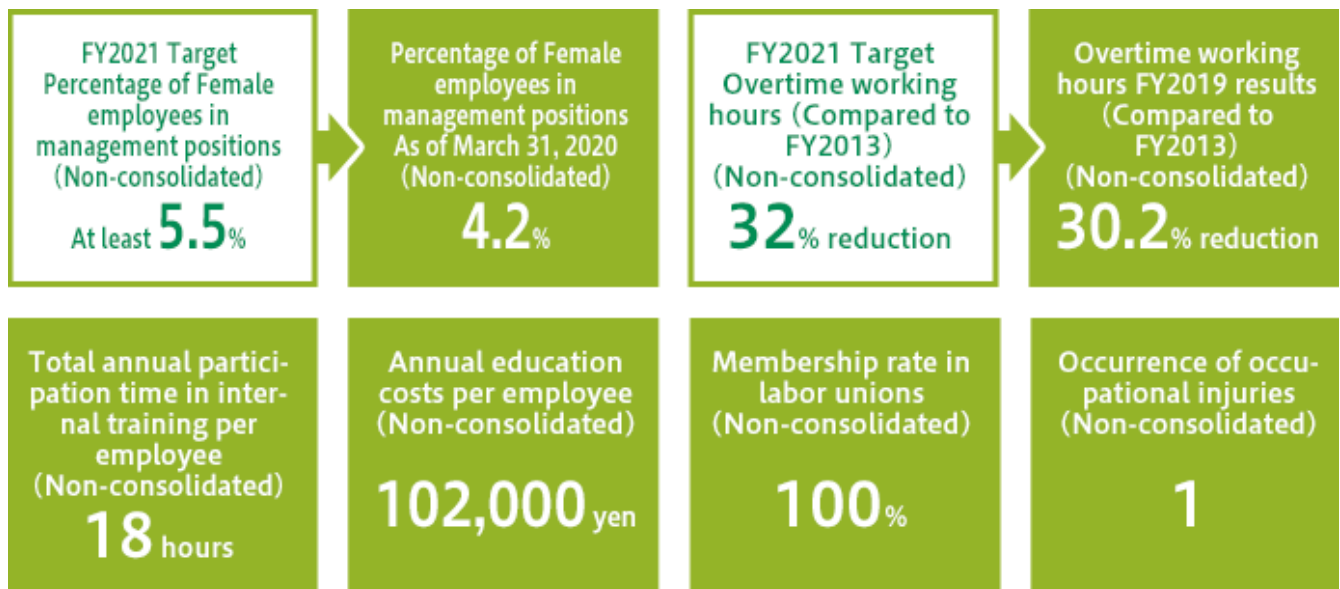
Employees and Their Families

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"> Establishing and providing a healthy working environment where people can work safely that respects human rights without any discrimination Equally and fairly evaluating personnel Establishing educational systems able to drive and improve skills Establishing measures, policies and other regulations to enhance the work-life balance 	<ul style="list-style-type: none"> Conducting regular consultations and performance reviews Conducting employee satisfaction surveys Installing a compliance counter EAP (Employee Assistance Program) service Carrying on a dialogue (casual discussions) between the president and employees Holding Family Open Day Carrying out meetings with management made up of both labor and management committee members Publishing internal magazines, creating an internal website

Relevant Targets and Performance



- Fair Employment and Benefits
- Work-Life Balance
- Human Resources Development
- Communication with Employees
- Occupational Health and Safety Management

Shareholders and Investors

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

Relevant Performance

Return on equity
(ROE)

8.8%

Individual meet-
ings for institution-
al investors (in and
outside Japan)
(FY2019 results)

144

Issued shares (as of
March 31, 2020)

182,752,036
shares

Full-year dividend
per share FY2019

40 yen

- ▶ [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"> Complying with all relevant laws as well as reporting and delivering notifications 	<ul style="list-style-type: none"> Responding through expert and relevant departments

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.

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.

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

► Contributions to Public Policy

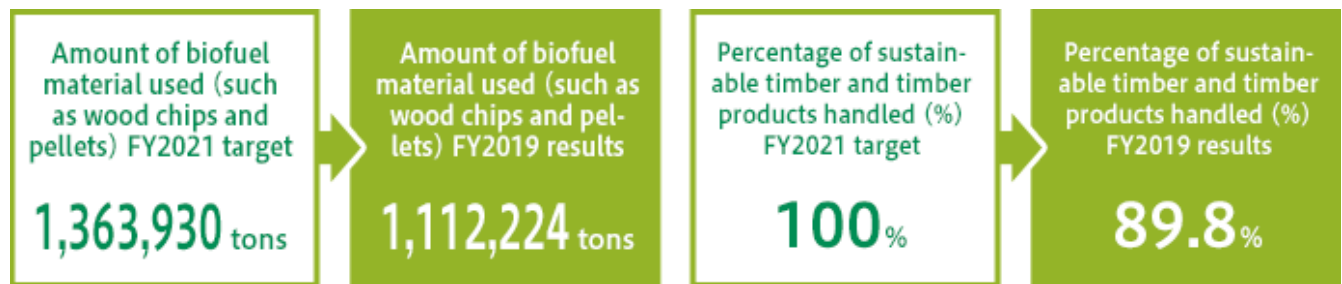
Business Partners

Promoting sustainable forest management and procuring timber 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 planting of forests as well as effectively using limited global resources such as the active use of timber cut from forests that have received Forest Stewardship Council (FSC) certification together with our business partners.

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

Relevant Targets and Performance



- Procurement Initiatives (Housing and Construction Business)
- Procurement Initiatives (Distribution Business)
- Procurement Initiatives (Manufacturing Business)
- Sustainable Forest Management
- Procurement Initiatives (Environmental Energy Business)

Students

The Sumitomo Forestry Group shares information about various initiatives as well as the medium to long-term outlook, including our philosophy, the current state of business, work style reforms, with all of the students entrusted with the next generation.

We strive to actively share information and engage in communication to of course deepen understanding in our own company but also to facilitate mutual growth in a dramatically changing environment

Responsibilities	Communication Methods
<ul style="list-style-type: none"> Conducting equal and fair hiring practices Actively communicating information 	<ul style="list-style-type: none"> Participating in various briefings and other events Visiting schools

- Recruiting information (in Japanese)

NPOs/NGOs

The Sumitomo Forestry Group works together with everyone at NPOs and NGOs to cultivate understanding about the situations faced in each region through expert knowledge and businesses when working to confront social challenges such as biodiversity and regional development. 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"> Working cooperatively to solve social challenges Providing business know-how 	<ul style="list-style-type: none"> Participating in employee volunteer activities Working cooperatively through social contribution activities Stakeholder Dialogue

► Reinforcing Engagement with NGOs and Other External Stakeholders

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. In addition, given further heightened ESG-related demands from the society, we began further increasing our numerical targets from fiscal 2019, incorporating them as Sustainability Goals into our “Sumitomo Forestry Group 2021 Medium-Term Management Plan.” By implementing PDCA cycles for all organizations, we are steadily stepping up our environmentally conscious activities based on the plan.

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

Relevant Targets and Performance



- Promotion of Waste Reduction and Recycling
- Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
- Home Building That Contributes to a Sustainable Society

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.

Therefore, we work to build an infrastructure for smooth operations and business expansion in each country and region by engaging in local social contribution activities and activities that focus on efforts, such as dialogue and cooperation with the local community in the promotion of overseas businesses.

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

Relevant Performance



► Promotion of Social Contribution Activities

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 some Group companies. An external multilingual operator is used for this reporting system.

For example in overseas, Open Bay Timber Ltd. (OBT) in Papua New Guinea, we have put in place a complaint box in which anyone from the area within and outside the company can post a complaint 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.

In 2018, we also established a grievance mechanism at our plantation forest operations in Indonesia. We receive opinions from local residents, both in writing and through regular visits, and respond to them within seven working days.

► Compliance Hotline

► Respect for Human Rights at Overseas Plantations

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.

Governance Policies

- ▶ 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
- ▶ Responsible Advertising/Promotional Efforts

Business Policies

- ▶ Basic Policy for Product Safety and Quality Control in the Housing and Construction Business

Social Policies

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

Environmental Policies

- ▶ Sumitomo Forestry Group Environmental Policy
- ▶ The Sumitomo Forestry Group's Long-term Biodiversity Targets (summary)
- ▶ Policy on Biodiversity Conservation in Company-Owned Forests in Japan (excerpt)

Sumitomo Forestry Group Procurement Policy

The Sumitomo Forestry Group utilizes wood as a renewable natural resource in its business operations. To contribute to a sustainable society, we are committed to procurement activities that take into account economic, environmental and societal interests and comply with the following policy:

1. Procurement based on legal and highly reliable supply chains

Our procurement activities will strictly adhere to all relevant laws, regulations and societal norms, and be built on mutual understanding and trust with our business partners. Furthermore, to provide the highest quality products and services, we will work with our business partners to ensure that our procurement takes place within a sound and fair supply chain.

2. Procurement based on fair opportunity and competition

We will provide all our suppliers, both Japanese and foreign, a fair opportunity for business. Selection of our business partners will be based on a comprehensive evaluation of the company's reliability and technological expertise, the product's quality, economic efficiency, delivery date and environmental performance, and the company's CSR (Corporate Social Responsibility) initiatives, such as advocacy of basic human and worker rights, anticorruption efforts and so on.

3. Procurement of sustainable timber and wood products

Wood is a renewable natural resource. To actively utilize it, we will work with our business partners on the following initiatives related to the procurement of timber and wood products:

- Procure timber from forests that are sustainably managed
- Work to improve the traceability of procured timber and wood products
- Strictly adhere to the laws and regulations of the countries and regions we log in, protect biodiversity and forests with high conservation value, and respect the cultures, traditions and economies of regions that coexist in harmony with forests.

4. Pursue active communication

To ensure the transparency of our procurement efforts, we will disclose information appropriately. In addition, we will communicate with our stakeholders to further improve our procurement activities.

President and Representative Director Toshiro Mitsuyoshi

Green Procurement Guidelines (extract)

Evaluation Items

①. Corporate activity assessment (evaluation of sustainability initiatives)

a. Environmental aspects

- i. Formulate policies related to environmental symbiosis.
- ii. Set up departments to promote environmental symbiosis and appoint managers.
- iii. Raise awareness of policies related to environmental symbiosis among employees.
- iv. Confirm understanding of and compliance with environmental laws and regulations related to business operations.
- v. Store, handle and process any hazardous chemical substances (including specified chemical substances, radioactive materials, and biological substances) used by the Group in accordance with a management manual, laws, and any other relevant regulations.
- vi. Properly manage and process waste in accordance with laws and regulations.
- vii. Promote proper use of energy and measure greenhouse gas emissions.
- viii. Formulate greenhouse gas reduction plans.
- ix. Make every effort to protect biodiversity and the ecosystem.

b. Social aspects

(a) Overall Corporate Social Responsibility (CSR)

- i. Formulate policies and standards for Corporate Social Responsibility (CSR) initiatives.
- ii. Establish departments to promote Corporate Social Responsibility (CSR) initiatives and appoint managers.
- iii. Conduct employee education and training about Corporate Social Responsibility (CSR) policies and standards.

(b) Human Rights

- i. Formulate policies and standards related to human rights.
- ii. Establish departments to promote human rights initiatives and appoint managers.
- iii. Conduct employee education and training about human rights policies.
- iv. Prohibit all forms of harassment and raise internal awareness.
- v. Prohibit forced labor and child labor and raise internal awareness.
- vi. Properly manage employee work hours regulated by law.
- vii. Pay adequate wages to employees according to the minimum wages established by law.
- viii. Establish a system for employees to report any harassment, physical punishment or other abuse anonymously.
- ix. Prohibit all discrimination whether based on race, age, religion, nationality or gender and fully raise internal awareness.
- x. Ensure employees have freedom of association and collective bargaining rights in accordance with laws and regulations.
- xi. Provide human resource development opportunities fairly to all employees, such as occupational skill development and training.

(c) Occupational health and safety

- i. Formulate policies and standards related to occupational health and safety.
- ii. Establish departments to promote occupational health and safety initiatives and appoint managers.
- iii. Conduct employee education and training about occupational health and safety policies.
- iv. Strive to maintain a safe and healthy work environment.
- v. Properly manage the physical and mental health of employees as well as occupational safety, such as reducing occupational accidents and diseases.
- vi. Put in place measures to ensure employee safety in anticipation of natural disasters and other emergency situations and fully raise internal awareness.

(d) Ethic

- i. Prohibit bribery, embezzlement and other acts of corruption and fully raise internal awareness.
- ii. Raise internal awareness to protect intellectual property in accordance with laws, regulations and international rules.
- iii. Put in place whistleblowing mechanisms for employees and suppliers to report any legal violations.
- iv. Formulate responsible procurement policies.
- v. Prohibit abuse of superior bargaining positions, encourage fair and free competition, and fully raise internal awareness.
- vi. Never tolerate influence from anti-social forces with a resolute attitude.

(e) Information security

- i. Collect and use personal information only within the scope agreed upon in advance and properly manage said personal information to prevent any informational leaks or unauthorized use.
- ii. Use the utmost caution to properly manage the handling of confidential information received from third-parties.
- iii. Put in place information security measures on computers and networks.

(f) Product safety

- i. Strive to ensure and improve quality and safety when supplying products and services to markets.

(g) Supply chain

- i. Require procurement suppliers to emphasize initiatives related to human rights and other social aspects as well as environmental aspects.

(h) Social contributions

- i. Build good relationships with and promote activities to contribute to local communities.

②. Product assessment

a. Common items

(A) Requirements

- i. Prohibit use of chemical substances restricted in Attachment 1, "Sumitomo Forestry Restricted Chemical Substance List."
- ii. Never leach hazardous materials during construction or use.
- iii. Never produce chemical or other hazardous fine particles during construction or use.
- iv. Never produce sulfur oxide or other hazardous gases during incineration.

(B) Initiatives

- i. Prohibit use of vinyl chloride and styrene foam in packaging materials.
- ii. Limit use of packaging material to the bare minimum (strive to reduce packaging materials).
- iii. Incorporate measures to sort by material in any composite products for easy waste disposal.
- iv. Make component and material replacements easy to extend the lifespan of assembled products.
- v. Clarify maintenance programs (procedures and periods for inspections, repairs and part replacements).
- vi. Make reuse or recycling after use possible.
- vii. Make reuse or recycling of package materials possible.
- viii. Use processes and materials to lengthen the lifespan of products.

Sumitomo Forestry Group Human Rights Policy

The Sumitomo Forestry Group respects the human rights of all people involved in our Group's operations and considers the respect for human rights a basic principle in all our activities. This thinking is rooted in Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society.

The Sumitomo Forestry Group Human Rights Policy (hereinafter, this Policy) has been formulated to further clarify the Group's thinking regarding the respect for human rights and to complement the Group's Corporate Philosophy, Action Guidelines, Code of Conduct, Procurement Policy and others.

1. A commitment to respect human rights

Based on the United Nations' Guiding Principles on Business and Human Rights, the Sumitomo Forestry Group respects human rights as defined by such international norms as the World Human Rights Declaration, the International Covenants on Human Rights (the International Covenant on Civil and Political Rights as well as the International Covenant on Economic, Societal and Cultural Rights), and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. The Group also strictly complies with all related laws in each of the countries it conducts business in.

In countries and regions that diverge from these laws and international norms, the Group strives to the greatest extent possible to undertake and prioritize initiatives that respect international norms.

2. Scope of application

This Policy applies to Sumitomo Forestry Co., Ltd., and its consolidated subsidiaries.

Furthermore, the Group asks all its business partners and other parties affiliated with the Group's operations to respect and not infringe human rights based on this Policy.

3. Measures related to the respect for human rights

• Human rights due diligence

The Sumitomo Forestry Group has created a human rights due diligence system, has incorporated it as a necessary process of our operations and applies it in an ongoing manner.

Human rights due diligence evaluates and identifies potential and actual human rights risks and takes measures to prevent or reduce those risks.

• Relief measures

If a Sumitomo Forestry Group operation has been found to have directly caused or participated in a situation that has had a negative impact on human rights, the Company shall undertake all necessary external and internal procedures and implement relief measures.

Furthermore, the Company shall create and maintain necessary mechanisms to handle grievances and evaluate the effectiveness of corrective and relief measures in an ongoing manner.

- Education

The Sumitomo Forestry Group shall conduct periodic and appropriate training for directors, employees and other parties to ensure that this Policy is integrated into the business activities of Sumitomo Forestry Co., Ltd., and all consolidated subsidiaries.

- Communication with stakeholders

Sumitomo Forestry Group shall communicate and discuss potential human rights risks, measures to counter actual influences and other related issues with relevant stakeholders.

- Information disclosure

To fulfill our reporting responsibilities, we shall disclose information and provide reports in a timely manner regarding initiatives based on this Policy and our response to potential or actual human rights issues.

President and Representative Director Toshiro Mitsuyoshi

(Attachment)

Sumitomo Forestry Group Human Rights Material Issues

The following are the Group's material issues in relation to human rights as defined by international norms. These high priority issues may be reevaluated as appropriate according to changes in the Group's operations and state of society.

<Prohibition of discrimination>

- Prohibition of discrimination on the basis of gender, age, nationality, ethnicity, race, birthplace, religion, belief, disability, sexual orientation, gender identity or other

<Workers' rights>

- Prohibition of child labor and forced labor (including foreign and immigrant workers)
- Respect for the freedom of association and collective bargaining
- Prevention of low wage labor (labor below minimum or living wages)
- Prevention of long work hours
- Prohibition of power harassment and sexual harassment
- Maintenance of labor safety
- Maintenance of worker health (including mental health)

<Respect for the rights of vulnerable people related to our operations>

- Respect for the rights of local residents and indigenous people of the regions where we operate
- Respect for the rights of women, children, minorities, the elderly and others
- Consideration of the environmental rights of future generations (sustainable forest management and other initiatives)

<Privacy>

- Respect for the privacy and protection of personal information, including that of our customers and employees

Sumitomo Forestry Group Declaration on Empowering Women

Sumitomo Forestry Group is committed to creating “an open and inclusive corporate culture that values diversity,” as set out in its Action Guidelines. We believe a diverse workforce and a business strategy developed from a wide range of ideas is important for the Company. As part of this effort, we are striving to promote the participation of women in the belief that this will meet the social needs and significantly contribute to increased corporate value. By expanding opportunities for women and by leveraging the creative power of women, we will integrate a diverse range of values that will spur innovation and enhance corporate value.

1. We will create a positive work environment for women

In Japan, with a falling birthrate and aging population, worker population is projected to decline. By utilizing a workforce made up of individuals without regard to values, age, gender, nationality or disability, and by respecting the individual lifestyles of each and every female employee, we are working to create an open corporate culture and positive working environment where everyone can gain a sense of fulfillment in their work.

2. We will leverage women's unique creative powers

Women's success in business is gaining prominence, such as with companies that utilize the perspective and creative powers of women to develop new products and services. In all business sectors, Sumitomo Forestry is striving to nurture the culture and processes that will harness women's unique creative powers and create new value.

3. We will spur innovation through the participation of women

Lively interaction among employees of different values, ages, gender, nationalities and other qualities leads to new ideas. Expanding work opportunities for women employees, in particular, spurs innovation in all areas, from sales and marketing to product development, business strategy and operational efficiencies.

President and Representative Director Toshiro Mitsuyoshi

Sumitomo Forestry Group Environmental Policy

Through our experience nurturing forests since our founding, Sumitomo Forestry Group has learned to appreciate the wonders of wood and the importance of nature. As a corporate entity with a close affinity to nature, we will pursue business activities that balance both environmental and economic interests and contribute to a sustainable society.

1. Develop business operations centered on wood and forests

We will cultivate forests and their ability to preserve and enhance the rich ecosystem to protect biodiversity, actively utilize timber resources and create new corporate value.

2. Develop and offer environmentally conscious products and services

We will develop and sell products and services that are environmentally conscious throughout the entire product lifecycle.

3. Minimize and improve environmental impact

To minimize and improve environmental impact, we will employ procurement practices that prevent environmental pollution and climate change and promote the effective utilization of natural resources.

4. Ensure strict legal compliance

We will adhere to all environmental laws, rules and regulations, global standards, voluntary standards and accords with stakeholders.

5. Make continual improvements to our environmental management system

We will accurately assess environment-related risks associated with our business activities and with a mid-to-long-term outlook, set and work to fulfill yearly environment goals. In addition, we will regularly evaluate our environmental management system and make continual improvements

6. Promote environmental education

We will provide environmental education for all parties involved in Sumitomo Forestry Group's business operations and encourage voluntary environmental efforts.

7. Pursue active communication

We will actively disclose information about our environmental policies and initiatives and pursue activities that convey the wonders of trees and forests and the importance of nature.

President and Representative Director Toshiro Mitsuyoshi

The Sumitomo Forestry Group's Long-term Biodiversity Targets (summary)

Group-wide Targets

1. (Aim to achieve sustainable forests)

In all timber-related businesses, from upstream to downstream, we will work to prevent a reduction in forest areas and pursue forest sustainability.

- We will strive to regenerate forests through reforestation and natural regeneration and logging a planned, sustainable manner that takes into account the forest's ability to grow.
- We will increase the procurement and use of sustainable timber, such as forest certified timber, plantation forest timber and Japanese timber.
- We will promote the efficient use as well as the recycling and reuse of timber.

2. (Increase the amount of CO₂ absorbed by and sequestered in forests and timber)

By cultivating healthy forests and promoting the use of timber through the greater use of timber construction materials and the construction of wooden buildings, we will strive to increase the amount of CO₂ absorbed by and sequestered in forests and timber to contribute to the protection of biodiversity and the alleviation of climate change.

Individual targets

3. (Forests)

We will promote forest management that regenerates, maintains and increases biodiversity.

- We will carry out zoning to protect ecosystems and the habitats of living creatures.
- We will ensure that in terms of area, 20% or more of our Company-owned forests in Japan are environment forests that emphasize environmental conservation.
- We will maintain that 100% Company-owned forests remain forest-certified.
- We will maintain and increase biodiversity at our operation sites based on results of our biodiversity monitoring of Company-owned forests in Japan.
- We will conduct operations at plantation forests overseas while considering how best to contribute to local communities, economies and education.

4. (Products)

We will provide products and services that take into account biodiversity, such as forest-certification and products and services that have undergone environmental assessment.

5. (Design)

We will work to develop homes and communities that are in harmony with the natural environment and their surrounding urban landscapes.

6. (Construction)

We will manage and minimize the generation of waste by promoting a zero-emissions policy in building and construction.

7. (Greening)

We will be considerate to the surrounding ecosystems and tree species and actively cultivate native species.

8. (Plants)

We will manage and minimize pollutants, waste and noise, and reduce their impact on biodiversity.

9. (Public relations)

We will actively communicate the importance of biodiversity to all stakeholders, including customers, business partners, and local communities.

10. (Research)

We will gather the latest information and develop conservation technologies to implement biodiversity initiatives.

11. (Social contribution)

We will protect trees that are historically and culturally important and also preserve their genetic material.

Policy on Biodiversity Conservation in Company-Owned Forests in Japan (excerpt)

1. Diversity of ecosystems

We will properly manage strictly protected areas designated under the Natural Parks Law of the Japanese government and other legislation in a manner stipulated by the law. In other areas, we will ensure continuity of forests by limiting the area of forest harvested, particularly when clear cutting is conducted.

2. Diversity of species

We will work to prevent a decline in the number of species existing in natural forests by refraining from expansive planting projects and other extreme activities involving the replacement of species that would have a major impact on existing ecosystems. We will also give the utmost consideration to the protection of rare flora and fauna in all operations, making reference to the Sumitomo Forestry Red Data Book.

3. Genetic diversity

Genetic variation and the maintenance of populations to support them will become issues in the future. However, analysis is complicated and therefore we will closely watch monitoring activities carried out by government and public institutions and their findings.